

BUSINESS WEEK

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PAGE 22

The showdown

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**THE GUARANTEED
ANNUAL WAGE**

→ **What It Means
To Business**

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A MCGRAW HILL PUBLICATION

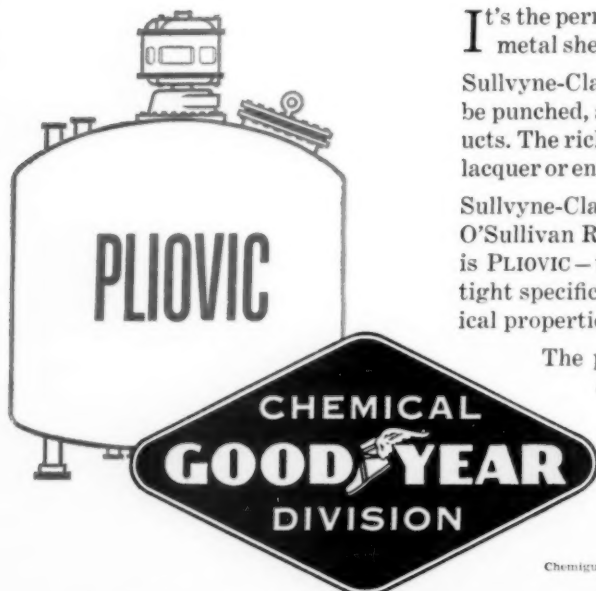
APR. 9, 1955

RAMO-WOODBRIDGE CORP
8820 BELLANCA
LOS ANGELES 45 CALIF



Photo courtesy O'Sullivan Rubber Corporation, Winchester, Va.

A wedding that could affect you!



It's the permanent mating of smooth or embossed vinyl plastic sheeting to metal sheeting in a new basic material—Sullvyne-Clad Metal Laminate!

Sullvyne-Clad may well affect you, since it is a prefinished sheet that can be punched, stamped or otherwise formed into a wide range of metal products. The rich, colorful covering is many times thicker than ordinary paint, lacquer or enamel—won't chip, crack or craze—defies corrosion and abrasion.

Sullvyne-Clad results from a unique and precise process developed by O'Sullivan Rubber Corporation. A big factor in its commercial feasibility is PLIOVIC—the easy-processing vinyl—which best meets the necessarily tight specifications on uniformity, processability, heat stability and physical properties.

The particular PLIOVIC used in Sullvyne-Clad is one of a family of resins specifically designed to be easier-processing without sacrifice of physical properties. How can they help you to improved products at improved cost? For details, write to: Goodyear, Chemical Division, Dept. D-9415, Akron 16, Ohio.

Sullvyne-Clad—T. M. O'Sullivan Rubber Corporation, Winchester, Va.
Chemigum, Pliobond, Pliolite, Plio-Tuf, Pliovic—T.M.'s The Goodyear Tire & Rubber Company, Akron, Ohio

The Finest Chemicals for Industry — CHEMIGUM • PLIOBOND • PLIOLITE • PLIO-TUF • PLIOVIC • WING-CHEMICALS

The Telephone Pole That Became a Memorial

The cottage on Lincoln Street in Portland, Oregon, is shaded by graceful trees and covered with ivy.

Many years ago, A. H. Feldman and his wife remodeled the house to fit their dreams ... and set out slips of ivy around it. And when their son, Danny, came along, he, too, liked to watch things grow. One day, when he was only nine, he took a handful of ivy slips and planted them at the base of the telephone pole in front of the house.

Time passed ... and the ivy grew, climbing to the top of the pole. Like the ivy, Danny grew too. He finished high school, went to college. The war came along before he finished—and Danny went overseas. And there he gave his life for his country.

Not very long ago the overhead telephone lines were being removed from the poles on Lincoln Street. The ivy-covered telephone pole in front of the Feldman home was about to be taken down. Its work was done.

But, when the telephone crew arrived, Mrs. Feldman came out to meet them. "Couldn't it be left standing?" she asked. And then she told them about her son.

So the pole, although no longer needed, wasn't touched at all. At the request of the telephone company, the Portland City Council passed a special ordinance permitting the company to leave it standing. And there it is today, mantled in ivy, a living memorial to Sergeant Danny Feldman.

BELL TELEPHONE SYSTEM





Born for

"The Quiet Life"

...this New Magnetic Counter

Added Evidence
that—

Everyone Can Count on **VEEDER-ROOT**

For moderate counting duty, where extreme long life is not required, this new small reset counter is completely reliable. Compact and easily connected, this counter may be actuated by any type of switch, relay or photoelectric unit. Recommended speed is 700 counts per minute. Power consumption is low . . . and so is the

price . . . but still the same Veeder-Root high quality. So here again is proof that you can count on Veeder-Root for any type of counter . . . electrical, mechanical or manual . . . for any type of duty in any field from atomics to electronics. What do you need to count?

Write:

VEEDER-ROOT INCORPORATED
HARTFORD 2, CONNECTICUT



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Montreal 2, Canada • Dundee, Scotland
Offices and Agents in Principal Cities

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BUSINESS WEEK • APRIL 9 • NUMBER 1336

(with which are combined The Annalist and the Magazine of Business) Published weekly by McGraw-Hill Publishing Company, Inc. Executive, Editorial, Advertising, and Subscription Offices: McGraw-Hill Building, 330 West 42nd Street, N. Y. 36, N. Y. Publication Office, 99-129 North Broadway, Albany 1, N. Y.; entered as second class matter Dec. 4, 1936 at the Post Office at Albany, N. Y. under act of Mar. 3, 1879. Donald C. McGraw, President; Paul Montgomery, Executive Vice President; Joseph A. Gerardi, Vice President and Treasurer; John J. Cooke, Secretary; Nelson Bond, Executive Vice President, Publications Division; Ralph B. Smith, Vice President and Editorial Director; Joseph H. Allen, Director of Advertising; J. E. Blackburn, Jr., Vice President and Circulation Director. FOR SUBSCRIPTIONS, write to: Business Week, Subscription Service, 330 West 42nd Street, New York 36, N. Y. Subscriptions to Business Week are solicited only from management men in business and industry. Position and company connection must be indicated on subscription orders. Subscription rates: United States and possessions \$6 a year; \$12 for three years. Canada \$7 a year; \$14 for three years. Other Western Hemisphere countries and the Philippines, \$15 a year; \$30 for three years. All other countries \$25 a year; \$50 for three years. Single copies, 25c. Printed in U.S.A. Copyright 1955 by McGraw-Hill Publishing Co., Inc. All rights reserved.

BUSINESS WEEK • Apr. 9, 1955



In the Engineering Department at Standard Pressed Steel, Webster Walvector spreads heat beneath long window area.

World's Largest Socket Screw Plant— STEAM-HEATED by WEBSTER

Standard Pressed Steel, Jenkintown, Pa., solves heating problems with Webster Steam Heating Equipment in plant, Webster Tru-Perimeter Heating in offices.

When SPS completed its \$10,000,000 expansion program, floor space was doubled and offices air conditioned. In the factory, Webster Unit Heaters give quick, flexible heating with ample air movement.

In offices, draft-free comfort is assured with Webster Tru-Perimeter Heating with Walvector. Webster Radiator Traps, Valves and Dirt Strainers are included in the heating system.



Aerial View. Architect: Richard Pullinger. Engineer: Widdicombe Engineering Co. Heating Contractor: Bowers Brothers Co. General Contractor: Townsend & Elfreth.

For any industrial plant or commercial building, investigate the advantages of Webster Tru-Perimeter Heating with steam or forced hot water. See your Webster Representative, or write us.

Address Dept. BW-4

WARREN WEBSTER & CO.
Camden 5, N.J. Representatives in Principal Cities
In Canada, Darling Brothers, Limited, Montreal

**Webster
WALVECTOR**
For Steam or Hot Water Heating

AND

Other Webster Heating
Equipment Includes

Webster Baseboard; Webster Convectors; Webster Process Steam Traps; Webster Moderator Systems of Steam Heating and continuous flow controls for hot water heating. Data on request.

Don't let "fish bowl" distractions cut



ionut your office efficiency!

Actual test shows work output increased 27% after installation of VMP MOBILWALLS

Plan your office layout with VMP's modern metal partitioning, and do away with old-fashioned "fish bowl" conditions. MOBILWALLS cut down noise, sharply reduce delays and errors. With the privacy they afford, routines run smoother and work-stopping distractions are virtually eliminated. MOBILWALLS are ideal for every office, large or small. If you're planning a new office, or remodeling an old one, don't pass up the savings they afford.

We can show you how much others have gained in office efficiency—how much they've cut down on costly delays. We'll demonstrate with Ratio-Delay Studies—accurate reports that rate office efficiency. They show what has been done, let you picture for yourself what can be done in your own office.

Here's what happened in a large insurance company after MOBILWALLS were installed:

- Office productivity increased 27%.
- Delays, lost motion were cut 48%.
- Time spent paying attention to distractions, and correcting errors, was reduced 38%.
- The VMP MOBILWALLS installation helped in adding as much to work output as could have been added by a 27% increase in employees and payroll expense.

Free folder. Get complete details by writing to Department BW4 for VMP's informative folder . . . detailed data on Ratio-Delay, comparisons of partitioning materials normally used, and other valuable facts.



MODERN STYLING . . . SPEEDY INSTALLATION

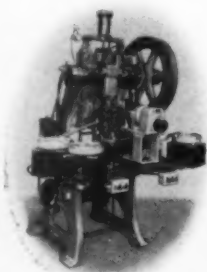
VMP MOBILWALLS are smartly designed—ideal for office or factory. Colors are restful and permanent. Surfaces never chip, warp, or crack; they wash clean easily. Erection crews from your own local area install

MOBILWALLS in a matter of hours—your office routine is uninterrupted. And VMP MOBILWALLS are readily adaptable to floor plan changes—they are easily and quickly moved.

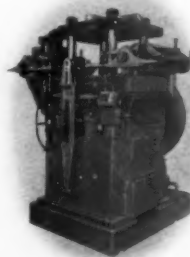
Virginia Metal Products, inc.

ORANGE, VIRGINIA

Subsidiary of Chesapeake Industries, Inc.



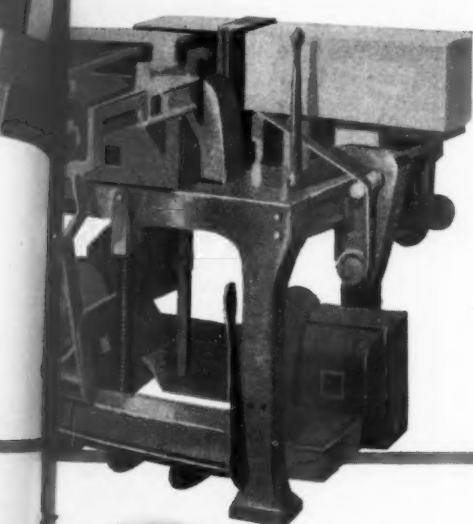
Single-machine automation
is a specialty at V & O. Long
slide precision of V & O
presses provides the accura-
cies necessary for simple or
complex tooling.



For metal stamping, high
speed Henry & Wright Die
Machines in one operation
complete parts that normally
would require several sepa-
rate presses.

First consider the machines that do more than one thing

MANY SIZES, MANY SHAPES of cartons can be loaded automatically into corrugated shipping cases on model 800 Standard-Knapp Casers.



EMHART MFG. CO., HARTFORD 2, CONNECTICUT

Western representative: MAILLER SEARLES, INC., Los Angeles and San Francisco

Only the best is good enough

If you want to automate or mechanize in specific ways with equipment that provides for change, take the first step by writing for our condensed catalog of over 275 machines.

By easy changes Hartford-Empire forming machines produce bottles and jars ranging from the smallest to the largest at high speeds and low cost.

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HARTFORD 2, CONN.

Please send your condensed catalog of Emhart machines.

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ELECTRONIC
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WIREMAKER FOR INDUSTRY

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TO SERVE YOU BETTER

Engineered wire for everything electrical or electronic—that is Belden's business. Hair-like filaments to wind the tiny transformers of transistor or heavy magnet wires for utility transformers two stories high—power supply cords for the smallest appliances, like your shaver—up to heavy duty electric tools and equipment.

For welders, for planes, for electronic brains—Belden has the wire for the job—Belden quality means lowest over-all cost.

Belden Manufacturing Company

Chicago 80, Illinois

MANUFACTURERS WHOSE PRODUCTS SERVE BEST...

Specify **Belden**

WIREMAKER FOR INDUSTRY

READERS REPORT

Three Weeks' War

Dear Sir:

Your article on "Three Weeks That Rocked an Industry" [Feb. 19'55, p50] was more than usually significant in that, despite the length of time, which was greater than three weeks, that the price war existed, yours was the only publication that, to my knowledge, even made mention of it. One cannot help but wonder how such a significant industry's activities received such little publicity.

A fellow purchasing agent has just indicated to me that he feels that we have a better grapevine than the prison camp analogy you made, since our grapevine consists of the salesmen who call on us and the sales managers who are continually on the long distance phones.

J. DONALD HOGG

PURCHASING AGENT
THE CLEVELAND ELECTRIC
ILLUMINATING CO.
CLEVELAND, OHIO

• Thank you, Reader Hogg. As he indicated in a subsequent letter, another McGraw-Hill publication, *Electrical World*, has covered the subject since.

Package Licensing

Dear Sir:

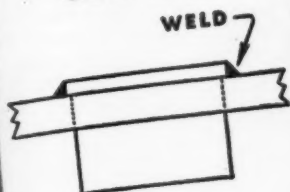
At page 31 of *BUSINESS WEEK* for March 5 your article on the forthcoming Report of the Attorney General's National Committee to Study the Antitrust Laws states that:

"On package licensing, the committee clearly agrees with the government's theory about Radio Corp. of America's system of licensing its patents. It finds package licensing all right in theory but illegal whenever the owner refuses to license less than the complete package."

The Committee Report is confidential, has not yet been released and we have not seen it. But apparently a *BUSINESS WEEK* representative has been given access to the Report. We do not believe the Report refers to Radio Corporation of America or, contrary to legal ethics, prejudices issues in a case pending before a federal court. Therefore, we believe your representation that the Report mentions the RCA case is not true and is unfair.

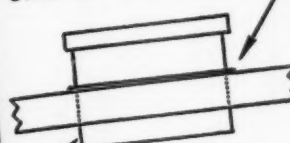
Your conclusion that RCA re-

OLD WAY

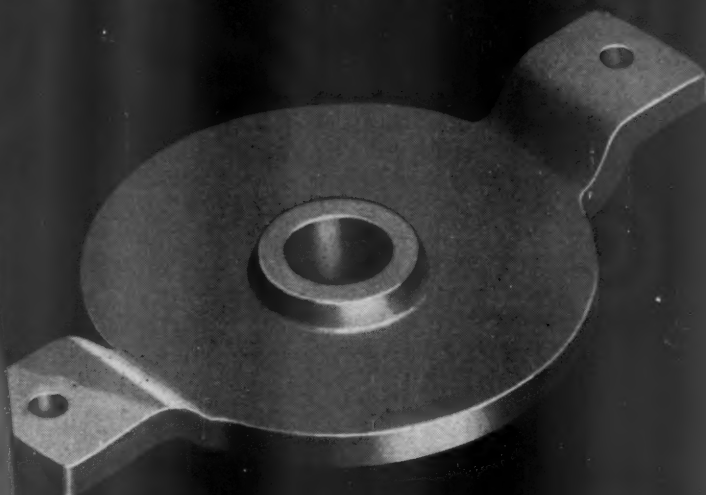


NEW WAY

SILVER SOLDER RING



INSERT SHOWN UP FOR CLARITY



Assembly Cost *Cut 32%* with TOCCO* Induction Brazing



Now's the time to balance YOUR production budget

This assembly may bear no resemblance to your product, but its case is typical of the savings accomplished by Induction Heating of metal parts of all sizes and shapes.

Formerly the Norris Thermador Corpora-

tion used arc welding to join the bushing and clamp shown above. In an effort to reduce costs TOCCO Induction Heating was brought into the production picture with the following results:

OLD METHOD (Arc Welding)

Material (rod)	\$ 4.56 per M parts
Labor	20.63 per M parts
Overhead	21.25 per M parts
Total Cost Old Method . . .	\$46.44 per M parts

NEW METHOD (TOCCO Induction Brazing)

Material (solder and flux) . .	\$13.83 per M parts
Labor	8.82 per M parts
Overhead	9.08 per M parts
Total Cost TOCCO Method . .	\$31.73 per M parts

TOCCO Engineers are glad to survey your operations for similar cost-cutting results — no obligation, of course.

THE OHIO CRANKSHAFT COMPANY



TOCCO

NEW **FREE**
BULLETIN

—Mail Coupon Today—

THE OHIO CRANKSHAFT CO.
Dept. W-4, Cleveland 1, Ohio

Please send copy of "Typical Results of TOCCO Induction Brazing and Soldering."

Name

Position

Company

Address

City Zone State

MECHANIZE 4 Scrubbing Operations into 1

with a **COMBINATION SCRUBBER-VAC!**

Here's a timely answer to the need for reducing labor costs — a single cleaning unit that completely mechanizes scrubbing. A *Combination Scrubber-Vac* applies the cleanser, scrubs, flushes, and picks up — all in one operation! Maintenance men like the convenience of working with this single unit . . . the thoroughness with which it cleans . . . and the features that make the machine simple to operate. It's self-propelled, and has a positive clutch. There are no switches to set for fast or slow — slight pressure of the hand on clutch lever adjusts speed to desired rate. The powerful vac performs quietly.

Model 213P at left, for heavy duty scrubbing of large-area floors, has a 26-inch brush spread, and cleans up to 8,750 sq. ft. per hour! (Powder Dispenser and Level Cable Wind are optional.) *Finnell* makes *Scrubber-Vac* Machines for small, vast, and intermediate operations, and in gasoline as well as electric models. From this complete line, you can choose the size and model that's exactly right for your job (no need to over-buy or under-buy). It's also good to know that you can lease or purchase a *Scrubber-Vac*, and that a *Finnell Floor Specialist and Engineer* is nearby to help train your maintenance operators in the proper use of the machine and to make periodic check-ups. For demonstration, consultation, or literature, phone or write nearest *Finnell Branch* or *Finnell System, Inc.*, 3804 East Street, Elkhart, Indiana. Branch Offices in all principal cities of the United States and Canada.



Applies cleanser,
scrubs, flushes,
and picks up—in
ONE operation!

FINNELL SYSTEM, INC.

Originators of
Power Scrubbing and Polishing Machines



BRANCHES
IN ALL
PRINCIPAL
CITIES

fuses to license "less than the complete package" also is not true and is unfair. RCA offers licenses to anyone under any or all of its patents at reasonable rates. RCA's license agreements contain no restrictive provisions of any kind.

RCA's liberal licensing policy of making its inventions available to all at reasonable rates and without restriction has contributed substantially to the development of the radio-television industry as one of the fastest growing and most competitive in America.

ROBERT L. WERNER
VICE-PRESIDENT AND GENERAL
ATTORNEY
RADIO CORP. OF AMERICA
NEW YORK, N. Y.

• The report of the committee does not mention RCA. It was our interpretation that the package licensing described in it was of the type referred to in the government's complaint.

Air Traffic Cops

Dear Sir:

Congratulations on the story "Radar With 100-Mile Reach Speeds Airport Traffic" [BW—Mar. 19'55, p80].

This is a very well done piece and should do much to make the air traffic problem clear to the general reader. One point that seems rather important to us has been omitted, however—the question of who is performing all this control activity. Nowhere is it mentioned that the Civil Aeronautics Administration operates the air traffic control center and tower.

BEN STERN

DIRECTOR
OFFICE OF AVIATION INFORMATION
CIVIL AERONAUTICS ADMINISTRATION
WASHINGTON, D. C.

Not Our Invention

Dear Sir:

I have been a patient reader of *BUSINESS WEEK* for a couple of years [but I think] your technique in attempting to create the impression of "Happy Times" under the Republican Administration is juvenile.

If this is your intention, please be a little more astute about your statistics and double meanings. Business stinks and you know it!

T. A. GRASSO
EAST HARTFORD, CONN.

• The business statistics that we print are not merely of our inven-

"Nuts to the board meeting...I'm going to the dance!"



Heads may roll at General Offices tomorrow. Without the reports from the Springfield branch, the monthly profit-and-loss statement can't be completed. But Irene is past caring.

You see, it's like this *every* month. A big pile-up of figures to be boiled down into one report at the last minute. She's fed up.

What Irene needs is Keysort punched-card accounting. With Keysort, her figures would always be right up to date. End-of-the-month would be just like any other day. And the report from this branch would always reach the home-office comptroller *on time*.

It's situations like this which prevent many a decentralized company operation from reaping decentralization's full rewards. Progressive management can still be seriously hobbled by inadequate accounting procedures in branch offices.

A McBee Keysort installation can give you comprehensive, accurate reports on every phase of factory operation, and give them to you *fast*. On your desk by the 4th of each month. Whether you run a 100-man plant or a string of branches serving the whole country. At very low cost.

The trained McBee man near you will be glad to show you how it's done. Or write us.

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23 Choice Industrial Acres Now Available in the Elmira, N. Y. Area

Located at Elmira Heights, N. Y., in the center of a heavy industry area, this level, cleared property is close to U. S. Steel's American Bridge Co. plant. Ideally suited to light or heavy manufacturing or warehousing operations. *Here are the facts:*



- Level, cleared site—zoned for industry—can be divided.
- All utilities available—also has underground stream close to surface.
- Fronting on two highways—and alongside Lackawanna main line.

For detailed, confidential information about this and other desirable plant sites in Lackawanna Land, without obligation, please contact:

INDUSTRIAL DEVELOPMENT DEPARTMENT

Room 1789, 140 Cedar St., New York • Phone BArcley 7-2500



Lackawanna Railroad

SHORTEST RAIL ROUTE BETWEEN NEW YORK, BUFFALO AND THE WEST

tion. If you will take a look at the Figures of the Week page, you will see that we quote many sources for our figures. Most of those, such as steel production, are not developed by us but come from some established source, government or non-government. The only figures on the whole page that is our own is the BUSINESS WEEK Index. And that is made up from other figures supplied to us and they are part of those printed each week in the Figures of the Week page.

Now, if you will also look at the columns of figures on that page, you will see that output of steel, autos, construction, electric power, oil, and paperboard is up compared with the preceding week, month, year, and 1946, the first postwar year. Since they are all up so measurably, it is hard to interpret them other than as statistical indicators of growing business volume.

Vintage of 1900

Dear Sir:

We have read with deep interest your article relative to the weather on page 150 of the February 26 "W" issue.

As a youngster of the vintage of 1900, we had always more or less scoffed at the winters of the "good old days," as we have a severe winter strike us every few years here, with sub zero temperatures and heavy snows.

However, we visited Angel Glacier, atop Mount Edith Cavell, in Jasper Park, Alberta, in 1953, and learned from Dr. William O. Field, of the American Geographical Society, that the ice cap here had receded 1,519 feet between 1927 and 1953.

At Columbia Ice Fields, on the road from Banff to Jasper, we were informed that this ice was receding at the rate of 100 inches a year.

We just thought your researcher might be interested in this information, coming as it does from one who resists as much as possible these claims about the "good old days."

C. J. HUYSKEN

DETROIT, MICH.

San Diego vs. Tulsa

Dear Sir:

Regarding your article, "Are Builders Going Too Fast?" [BW-Mar.19'55,p52] my reaction was, why Tulsa? San Diego is the fastest growing large city in the country and without an oil boom, too.

A comparison of figures between those stated by you for Tulsa with



United Board
and Carton Corp.

**"We're betting on the *Window Box*
to boost our sales of Lily Cups this year"**

Mr. Fen K. Doscher, Vice President in charge of sales for Lily-Tulip Cup Corporation says, "No other packaging method increases sales at point of purchase like the window box. We're putting more and more of our line in this selling package."

Wouldn't your product look better and sell faster in a smart window box made all the more glamorous because the window is sparkling Celanese* acetate? This famous packaging film is always crystal clear and outstanding for its flatness and resistance to wrinkling. As for shelf life, Celanese acetate stays crisp and new-looking month after month. Learn about the economy and other advantages of the window box. Write Celanese Corporation of America, Plastics Division, Dept. 129-D 290 Ferry Street, Newark 5, N. J. Canadian affiliate, Canadian Chemical Company, Ltd., Montreal and Toronto.

Celanese
PACKAGING FILMS

*Reg. U. S. Pat. Off.

F.O.S.[®]

INDUSTRIAL TAPE

Quality Controlled
by the
STRONTIUM 90
Isotopic Process

NOW—Industrial Tape from Atomic Research!

F.O.S. is processed to
provide uniformity of
product and performance,
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for free F.O.S. samples.

F.O.S. INDUSTRIAL TAPE DIVISION
THE SEAMLESS RUBBER COMPANY
NEW HAVEN 3, CONNECTICUT



similar San Diego statistics will
prove my point.

In San Diego by comparison,
builders are going . . . so fast many
residents have been wondering for
some time what the outcome will
be.

J. A. VOR

DISTRICT AGENT
SAN DIEGO GAS & ELECTRIC CO.
SAN DIEGO, CALIF.

Auto Hoarding

Dear Sir:

Re BUSINESS WEEK [Mar. 12
'55, p28], "Detroit Is Beginning To
Wonder: Is The Future Here?"

It is my opinion that people are
buying automobiles now in antici-
pation of a large auto strike and
higher prices for cars.

My family has purchased three
new cars this year. These cars
would normally [have] been pur-
chased over the next 18 to 24
months. Now we don't need to
worry about a new car for the
next three or four years, if need
be. I believe others are buying
cars for the same reason.

H. L. MYERS

MYERS SALES & SERVICE
ALLIANCE, OHIO.

No Everlasting Homes

Dear Sir:

Your Personal Business article
[Feb. 26 '55, p18] . . . implies that
homes last forever.

There are approximately 46,000-
000 dwelling units in this nation.
If they all lasted for 100 years, it
would still require the construc-
tion of 460,000 dwelling units an-
nually just to replace the 46,000-
000 dwelling units in existence once
in every 100 years.

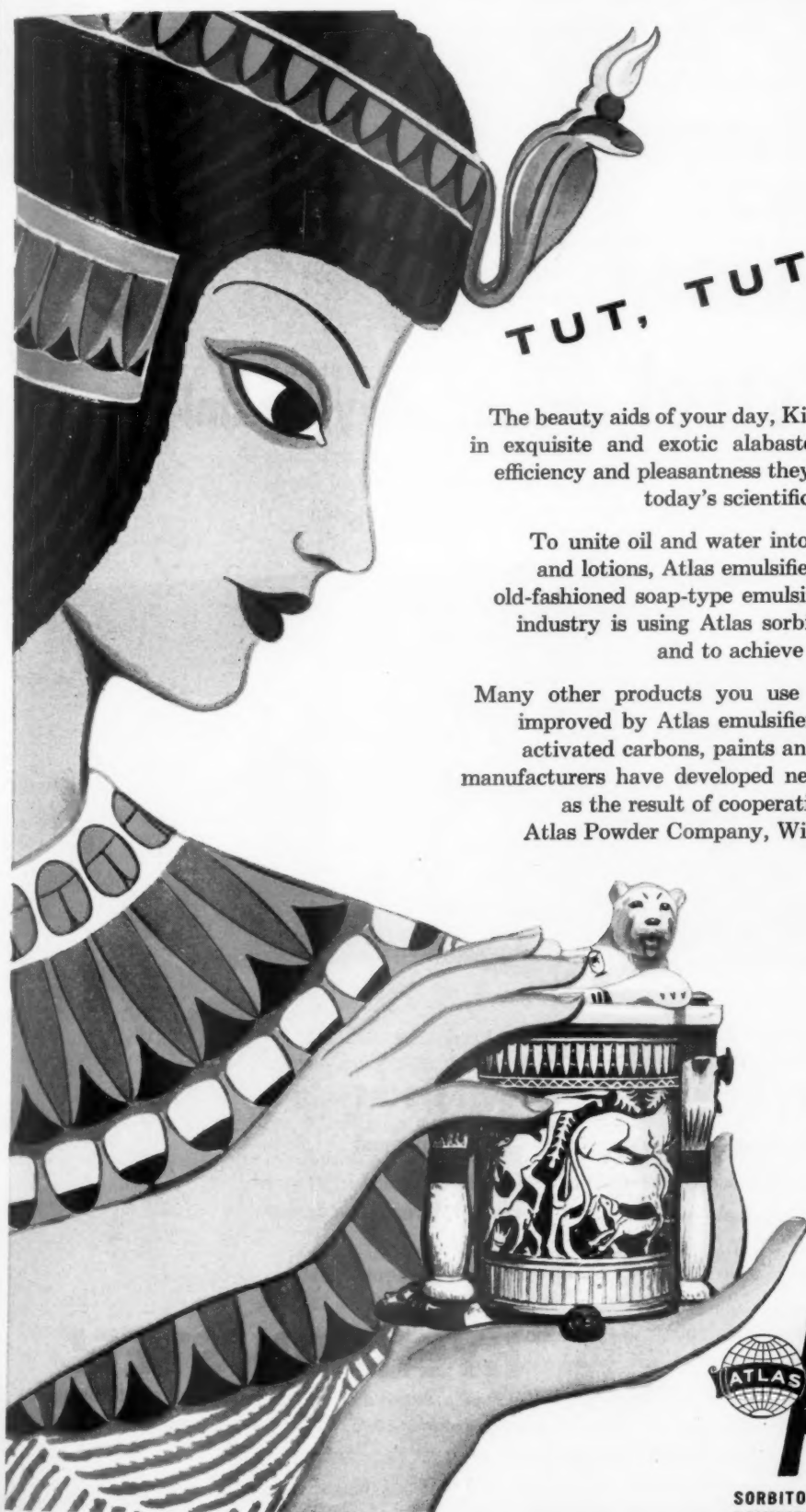
Add 920,000 replacement units
to the 1,400,000 new families and
the sum is 2,320,000 units which
is just about equal [to] the num-
ber of homes that were built during
the 2-year period you [mention].

Barring the unusual and a de-
pression brought about through
fears spread by the Gloom and
Doom boys, we can continue to
build about 1,200,000 homes an-
nually indefinitely.

JOHN BONFORTE

BONFORTE CONSTRUCTION CO.
PUEBLO, COLO.

Letters should be addressed
to Readers Report Editor,
BUSINESS WEEK, 330 West 42nd
Street, New York 36, N. Y.



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The beauty aids of your day, King Tut, may have come in exquisite and exotic alabaster containers—but for efficiency and pleasantness they couldn't come close to today's scientifically blended cosmetics.

To unite oil and water into smooth, gentle creams and lotions, Atlas emulsifiers are rapidly replacing old-fashioned soap-type emulsifiers. And the cosmetic industry is using Atlas sorbitol to prevent dryness and to achieve a rich, emollient effect.

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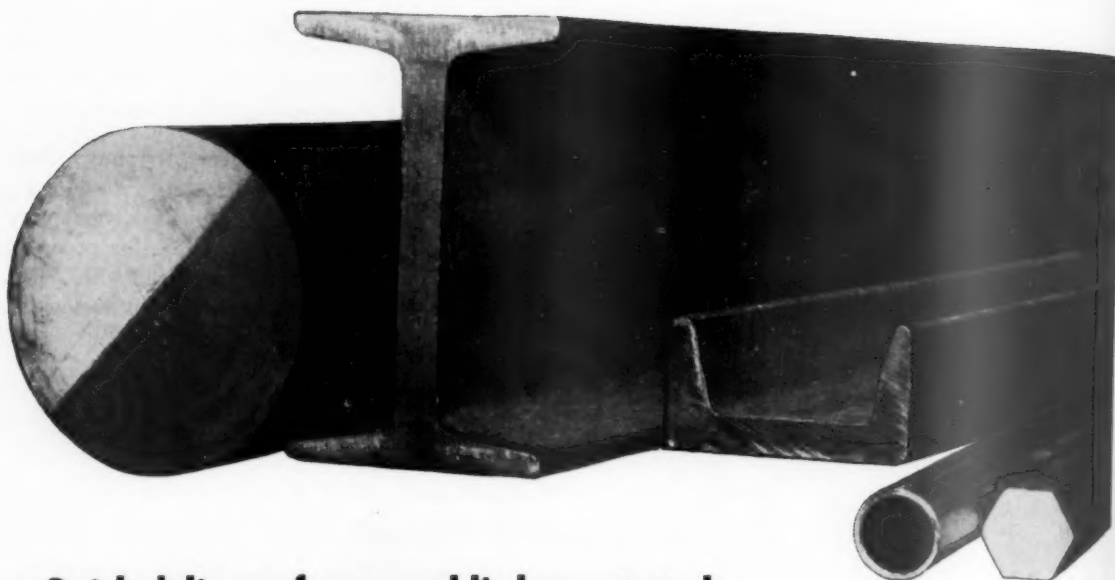
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POWDER COMPANY

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POLYESTER RESINS, PAINTS, EXPLOSIVES
ACTIVATED CARBONS, LAUNDRY COVERS

The above is an accurate reproduction of the costume and cosmetic jar of Pharaoh Tutankhamon's Queen—Egypt, circa 1350 B. C.



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BUSINESS OUTLOOK

BUSINESS WEEK

APR. 9, 1955

A BUSINESS WEEK

SERVICE

Here's a story, in two parts, on how **business improvement** is fanning out—in the tangible form of employment, payrolls, purchasing power:

- For what has already happened, you have **personal income** (pumped up by \$1-billion, at an annual rate, since January) and **unemployment** (down by about 300,000 since the turn of the year).

- And for what lies ahead, there are the Labor Dept.'s gleanings on employers' hiring intentions (which promise gains right through May).

Income payments are rolling in at record rates. The surprisingly rapid rise in business has seen to that.

Personal income has risen to \$292.4-billion (at a seasonally adjusted annual rate). That's \$1-billion higher than it was in January and \$7.4-billion ahead of February last year.

Shopping note: That helped buy a lot of Easter fripperies.

Factory payrolls are accounting for most of the rise this year.

That's not surprising, of course, because on the down side the deepest decline was in these earnings. But it marks the **first turnabout** in this sector since the slide started in 1953.

Factory hands are getting \$68½-billion at an annual rate. This is the best since the figure of \$69.8-billion was touched in 1953.

These rising factory payrolls now mean a weekly payout of about \$950-million. That's \$20-million up from January, and it's about \$30-million better than this time last year.

Fewer people are dividing up the money than last year, however.

Factory employment still is behind by 250,000. But those at work are putting in an extra hour, and each hour is worth 5¢ more. Together, these extras put \$3.65 more into the average weekly pay envelope.

Jobless ranks have been shrinking steadily ever since January, when insured unemployment was 1,976,200, a peak for the year to date.

Now only 1,665,300 claimants are drawing checks. At this time a year ago, 2.2-million workers were collecting jobless compensation.

And there's less job turnover now. At this time last year, some 300,000 were filing unemployment claims each week. Initial claims now are running only about 200,000 a week.

Most employers look for their payrolls to show moderate expansion for another several weeks at least.

That's what the spot check in 145 major industrial centers by the Bureau of Employment Security shows. Here's their thumb-nail sketch:

- More jobs will open up at factories in 129 centers.
- Modest cuts are expected in only 16. (Earlier in the year, employers in 28 areas had thought fewer hirings were likely.)

Labor surpluses are hard to eliminate, even with the improvement that has taken place and is still in the cards. There are 40 major areas that apparently will continue in this unhappy class right through May.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

APR. 9, 1955

These are the "Group IV" areas—with labor surplus of 6% or more.

A year ago, there were only 30 areas in this category. Four have since bettered their rating—Detroit, Racine, San Antonio, and the Davenport-Rock Island-Moline region. But 14 others slipped down—while 26 of the original 30 remain as trouble spots.

Smaller labor markets have deeper trouble than the big ones. These are areas where closing a single plant can produce a long-term blight. You would expect them to be more numerous, and they are.

Labor surpluses had put 46 of them in Group IV this time last year—and only one has worked its way out. Meantime, 68 others have been added. The additions have come dominantly from textiles and coal, occasionally both.

—•—

Corporations likely to need money face a stiffening in rates.

Official policy is to tighten reins further at this point. Government bond prices have sagged (and are now scraping earlier 1955 lows again). Also, the Treasury paid the highest rate since 1953 on its latest batch of short-term paper.

Among private lenders, the commercial paper rate has just been advanced and seems almost certain to be marked up again (page 50).

Bank funds should be more plentiful, momentarily, because of a payoff on crop loans. The banks have been carrying about \$800-million of surplus crops under price-support loans that came due on Mar. 31.

Repayments had little visible effect on the money market, however.

—•—

Oil companies are experiencing some familiar spring pains.

Colder-than-average weather gave them a fine winter for fuel oil sales—but gasoline poured into storage at the same time. Now, just like a year ago, motor fuel threatens to give trouble.

Last year, refiners waited for the Texas authorities to cut back crude oil output and protect the price structure. This year, though, major companies have taken the initiative by cutting refinery runs.

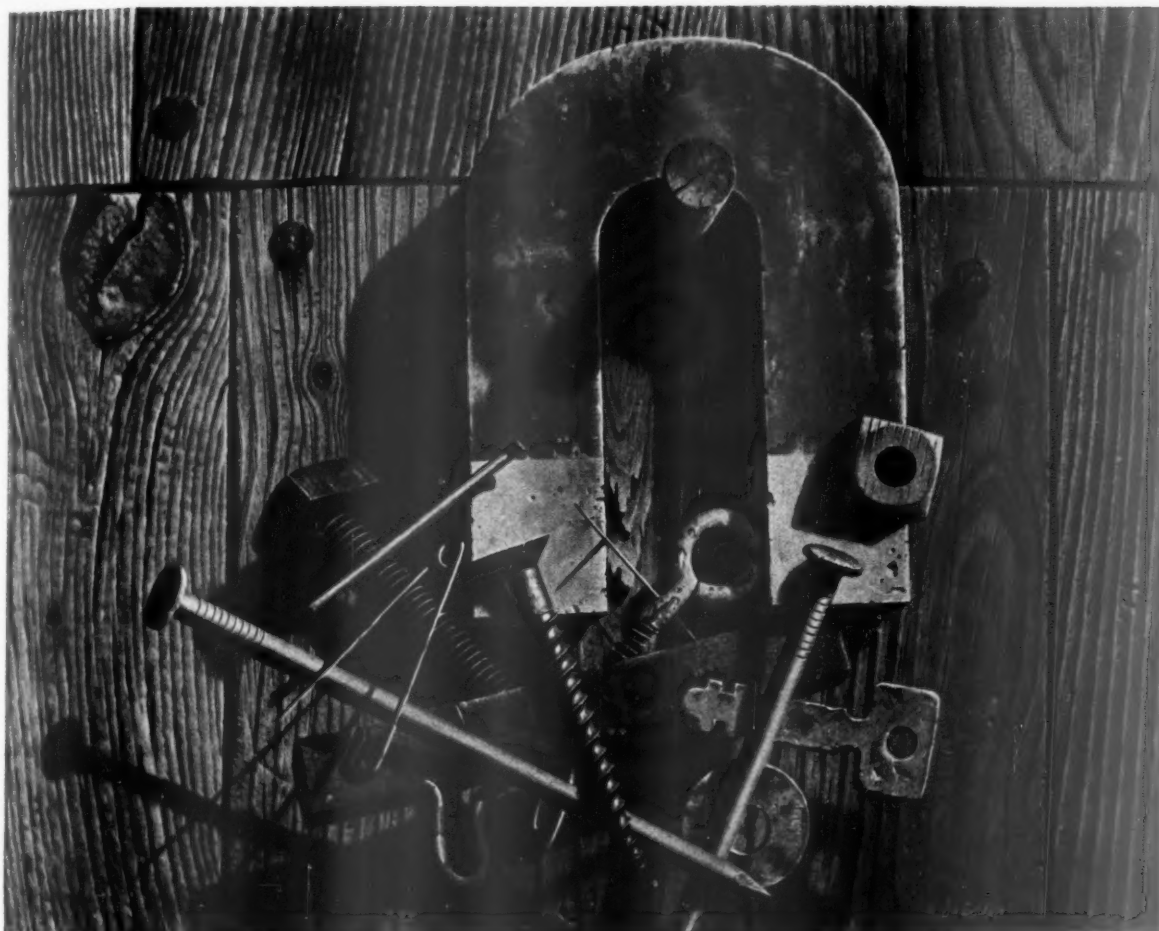
Storage stocks of gasoline passed 184-million bbl. at the end of March. This was only 5½-million bbl. higher than a year ago—but the year-earlier figure itself was high enough to be frightening.

Mild weather and happy motoring may gradually drain off the excess. But the oil industry, convinced it must learn to live with gasoline surpluses each spring, feels output cuts are quicker and surer.

Spotty price wars, from New England to California, strengthen the resolve to act. New Jersey filling stations, incidentally, are warring again despite a big-company counter offensive (BW—Mar.19'54,p34).

—•—

The auto race at the quarter: It's Chevrolet leading Ford for first; Buick and Plymouth neck-and-neck for third; but two General Motors' divisions—Oldsmobile and Pontiac—are battling it out for fifth.



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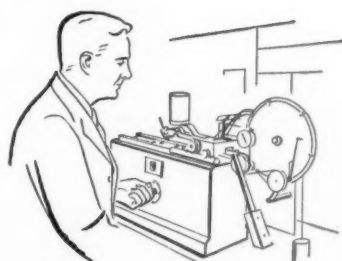
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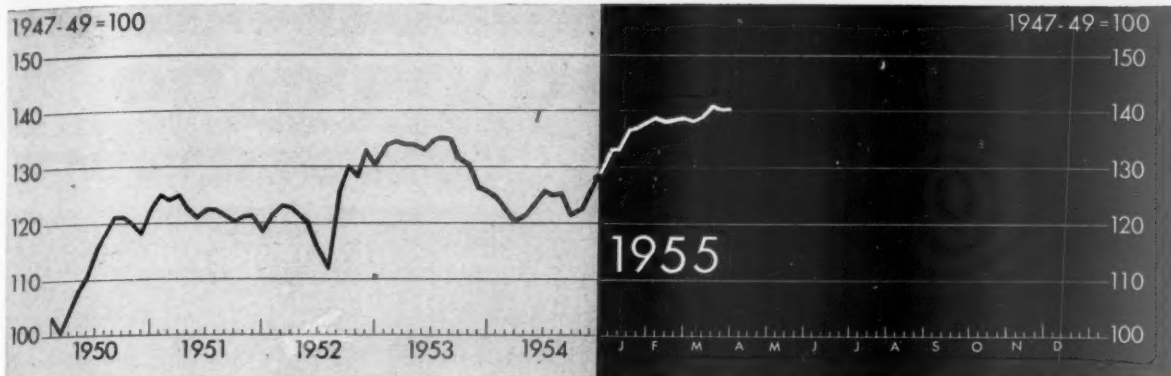


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FIGURES OF THE WEEK



Business Week Index (above) \$ Latest Week 140.6 Preceding Week 140.5 Month Ago 139.0 Year Ago 120.4 1946 Average 91.6

PRODUCTION

Steel ingot production (thousands of tons).....	2,276	12,278	2,241	1,622	1,281
Production of automobiles and trucks.....	219,361	1217,346	192,892	146,498	62,880
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$66,268	\$67,235	\$53,804	\$47,616	\$17,083
Electric power output (millions of kilowatt-hours).....	9,804	9,907	9,727	8,463	4,238
Crude oil and condensate production (daily av., thousands of bbls.).....	6,807	6,863	6,806	6,486	4,751
Bituminous coal production (daily average, thousands of tons).....	1,317	1,342	1,467	1,137	1,745
Paperboard production (tons).....	271,066	267,445	266,804	225,519	167,269

TRADE

Carloadings: manufactures, misc., and l.c.l. (daily av., thousands of cars).....	69	71	68	66	82
Carloadings: raw materials (daily av., thousands of cars).....	38	38	42	34	53
Department store sales (change from same week of preceding year).....	+2%	+14%	+3%	-11%	+30%
Business failures (Dun & Bradstreet, number).....	237	232	222	267	22

PRICES

Spot commodities, daily index (Moody's Dec. 31, 1931 = 100).....	401.9	401.5	392.7	438.2	311.9
Industrial raw materials, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100).....	91.9	91.2	90.7	84.7	1173.2
Foodstuffs, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100).....	86.3	87.1	86.5	101.6	1175.4
Print cloth (spot and nearby, yd.).....	18.7¢	18.7¢	18.8¢	20.1¢	17.5¢
Finished steel, index (U. S. Dept. of Labor BLS, 1947-49 = 100).....	144.7	144.7	144.7	140.9	1176.4
Scrap steel composite (Iron Age, ton).....	\$37.00	\$37.00	\$37.58	\$24.50	\$20.27
Copper (electrolytic, Connecticut Valley, E&MJ, lb.).....	36.00¢	33.48¢	33.00¢	30.00¢	14.04¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$2.49	\$2.48	\$2.41	\$2.43	\$1.97
Cotton, daily price (middling, ten designated markets, lb.).....	33.69¢	33.64¢	33.60¢	34.11¢	30.56¢
Wool tops (Boston, lb.).....	\$2.00	\$2.00	\$2.05	\$2.12	\$1.51

FINANCE

90 stocks, price index (Standard & Poor's).....	293.2	292.4	293.7	215.6	135.7
Medium grade corporate bond yield (Baa issues, Moody's).....	3.48%	3.48%	3.49%	3.47%	3.05%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	1½-1½%	1½-1½%	1½-1½%	2%	1-1%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	55,590	56,282	56,270	51,812	1145,820
Total loans and investments, reporting member banks.....	83,455	83,996	84,416	77,814	1171,916
Commercial and agricultural loans, reporting member banks.....	22,707	22,747	22,351	22,763	119,299
U. S. gov't guaranteed obligations held, reporting member banks.....	32,885	33,509	34,599	30,850	1149,879
Total federal reserve credit outstanding.....	24,848	24,904	24,813	25,316	23,883

MONTHLY FIGURES OF THE WEEK

MONTHLY FIGURES OF THE WEEK		Latest Month	Preceding Month	Year Ago	1946 Average
Employment (in millions).....	March	60.5	59.9	60.1	55.2
Unemployment (in millions).....	March	3.2	3.4	3.7	2.3
Average weekly earnings in manufacturing.....	March	\$75.30	\$74.34	\$70.71	\$43.82
Personal income (seasonally adjusted, in billions).....	February	\$292.4	\$291.4	\$285.0	\$178.0
Farm income (seasonally adjusted, in billions).....	February	\$16.1	\$15.9	\$16.8	\$16.9
Consumer credit outstanding (in millions).....	February	\$29,518	\$29,760	\$28,140	\$6,704
Installment credit outstanding (in millions).....	February	\$22,508	\$22,436	\$21,582	\$3,174
Manufacturers' inventories (seasonally adjusted, in billions).....	February	\$43.6	\$43.6	\$46.1	\$21.3
Wholesalers' inventories (seasonally adjusted, in millions).....	February	\$11,660	\$11,530	\$11,850	\$5,489
Retailers' inventories (seasonally adjusted, in millions).....	February	\$22,360	\$22,210	\$22,420	\$9,791

* Preliminary, week ended April 2, 1955.
† Revised.

‡ Estimate.

§ Date for "Latest Week" on each series on request.

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—AND EVEN MORE TO COME. Corporate dividends are off to strong start in race to top 1954 mark... p. 56

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RESEARCH:

CONVAIR STAGES A COUP... by hiring a nuclear physicist and venturing into basic research... p. 74

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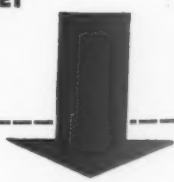
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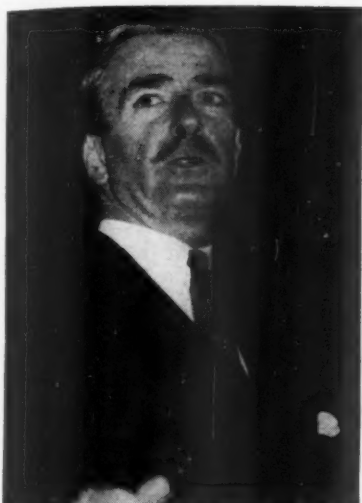
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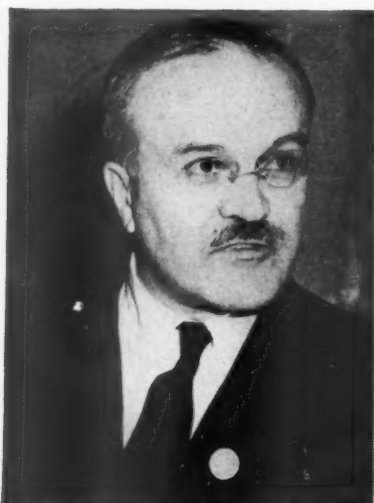
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Russia's Molotov can speak for the Chinese Reds, and . . .



India's Nehru takes a neutral stand as they try . . .

Settling the Formosa Crisis

This week the diplomats are taking over in Formosa Strait.

Secretly, two separate alternative lines of negotiation have got started within the last few days, seeking a peaceful solution of the Matsu-Quemoy issue. The two are entirely independent, but they have the same objective—to disengage the U.S. from the offshore islands without weakening the Formosa position.

Line One: Britain, India, and Russia are now conducting an intensely private dicker in London and Moscow. Eden, Molotov, and Nehru are handling the negotiations, with their respective ambassadors doing the legwork.

Eden and Nehru started the talks, with no more than a hint to the U.S. of what they were up to. Together, apparently, they were able to convince the Soviet leaders that the situation in Formosa Strait might get out of hand, that war could explode there. They found Molotov impressed and scared by the determined stand the U.S. has been taking.

The three powers are now trying to find a formula for a solution—a formula the British can get the U.S. to accept and which the Soviets and Indians can sell to Peking.

Line Two: The U.S. government itself, simultaneously, is trying to set up

its own formula, a procedure to be followed if no deal can be worked out with the Chinese. This would involve pulling the Nationalists out of the offshore islands—but at the same time getting our allies, particularly Britain, Australia, New Zealand, and Canada, to join with us in a joint guarantee of Formosa itself.

Both versions of the drama are still waiting in the wings. The curtain has not gone up yet. But from now on you'll be hearing more about negotiation, less about a settlement by force.

I. Background for Talk

Red China is not well enough prepared today to start an all-out attack on the offshore islands. As long as it's not, it's more likely to be amenable to negotiation.

The U.S., for its part, has been ready and waiting for a deal on the offshore islands since Eisenhower sent his Formosa message to Congress in January.

But nothing happened, nothing moved on the diplomatic front. Instead, military positions hardened in the Formosa Strait. Then came the war scare of two weeks ago. That was what it took to convince the world that the Formosa issue was getting dangerously hot.

• **The Democrats**—In Washington, Congressional opinion began to shift. Democratic leaders became alarmed at the prospect of fighting a war over the offshore islands—and fighting it without the backing of our allies. There is almost no disposition to go back on Congress' "fight if we must" resolution. But by this week all the emphasis is on the "if we must" part.

Democratic leaders have assured Eisenhower that they are at least as opposed as he is to any policy that might put us, alone, at war with Red China over Quemoy and Matsu.

• **The British**—In London, Eden had been plugging along for weeks on a search for some diplomatic salvage operation. For one thing, he had had the British ambassador in Moscow talking to the Russians.

From Eden's angle, successful intervention would not only reduce the danger of war, it would help the Conservatives to victory in the upcoming British elections and would establish Eden's own position in the Conservative Party.

At the same time he discovered that Nehru, who had been desperately trying to do something on his own, would be a more than willing ally in any effort to get together with the Russians.

• **The Question Marks**—In Moscow,

the picture is far less clear. It looks as if the Soviet leaders have decided that they must intervene in the Formosa situation or face the risk of a war exploding there. In any case, Molotov moved in on the situation along with Egen and Nehru.

The other great question mark is Chiang Kai-shek. He has pledged himself to the defense of the offshore islands—all on his own if necessary. Their loss, even in a deal involving an allied guarantee for Formosa, might lead to a serious deterioration of morale and mass defections among his followers. The U. S. feels its allies fail to appreciate that handling Chiang is a tough problem which any solution must take account of.

II. The Possibilities

At midweek no details were available on these three-way negotiations. If they fail, not much will ever leak out—certainly not from the British. Clearly they involve an unusually tricky and delicate maneuver: London is trying to act as “honest broker” for Washington; Moscow is playing the same role for Peking; and New Delhi hopes to intervene with Peking not only on behalf of the West but also on behalf of Moscow. Nehru will have a chance to play this double role when he meets Red China's Chou En-lai at the upcoming Afro-Asian conference at Bandung.

Something smacking altogether too much of a cynical deal could easily come out of this sort of dickering. If it does, the U. S. would probably not go along. But a workable settlement, such as the one on Indo-China that Eden pulled off at Geneva, might emerge instead.

• **Backdown?**—Any such solution presumably would involve a cease-fire of some sort in Formosa Strait. And it might involve the Eisenhower Administration in what would look both here in the U. S. and abroad, like a backdown.

Any formula negotiated by the British, Indians, and Russians would be bound to give the United States less than Eisenhower and Dulles were shooting for at the time of the Formosa message.

That's built into the situation: The Russians will fight for all that they can get for their Chinese allies. But the Indians and British start with the assumption that there is no legal right or military sense in the position the U. S. has taken on the offshore islands.

Of course, the British-Russian-Indian talks may never come to anything. Moscow's terms may be so stiff that London will drop the whole thing. Britain has tried and failed with both the Russians and the Chinese several times in recent months. It's possible that even now the Russians don't really mean to reverse the Communist drive

for the offshore islands—a drive that they themselves encouraged last fall when Bulganin and Khrushchev were in Peking. In that case, a military showdown might be in the cards again.

III. A U. S. Initiative?

If the British-Russian-Indian attempt breaks down, the U. S. may grab the diplomatic initiative itself, though in a different way. One idea that's being explored is to get its allies to come through with a joint guarantee of Formosa in return for the U. S. giving up the offshore islands or standing aside if Chiang decides to fight for them.

So far the U. S. hasn't put such a proposal to the British officially. But it's in the air in Washington this week. And both the officials who are working on the idea and the Congressional leaders who would be involved figure that it would have two real advantages:

(1) Make it easier for the Eisenhower Administration to make a withdrawal from the offshore islands. In effect, the U. S. would be getting a quid pro quo—though from its allies instead of from the Chinese Reds.

(2) Put the U. S. in a better position to meet the next Communist push, whether it came in Formosa, Indo-China or somewhere else. Its allies would be more fully committed to stand with the U. S. in the next round than they have been in this one.

None of this would be easy. Such a guarantee would have so little box-office appeal in Britain that the Eden government would have to hold back at least until it gets through the upcoming election.

Even then it would balk at any commitment unless we had meanwhile tied Chiang's hand pretty completely.

• **The Big Try**—There's still another diplomatic approach that might just possibly be opened up before the Formosa Strait crisis is resolved—a big package deal that would completely change our relations with Red China.

This would involve some big concessions from the U. S.—admission of Red China to the United Nations, with a seat on the Security Council; a trusteeship over Formosa, finishing Chiang as the leader of a potential restoration government; and, most important perhaps, an end to the trade embargo against Red China.

To match concessions like these, the U. S. would expect at a minimum such things as enforceable guarantees against an attack on Formosa and against Communist Chinese attempts to upset the peace in Korea or gain any further ground in Southeast Asia.

There's no sign that either side is ready for any such deal. It's much more likely that efforts on both sides will be limited to the immediate crisis.

Sea-Going Trucker Bids For Waterman Shipping

Trucking veteran Malcom P. McLean may soon start building up a new sea-going piggyback operation, tied in with a topflight ocean freight carrier—provided stockholders of the Waterman Steamship Corp. agree.

McLean, through the McLean Securities Corp. of which he is president, has already acquired two Waterman subsidiaries as a nucleus for his sea-land plan, which aims to combine the economy of water transport with the flexibility of door-to-door service.

• **Offer**—A written offer was being mailed this week by C. Lee Co., Inc. (a subsidiary of McLean Securities) to the holders of Waterman's 874,548 shares of capital stock, offering to buy their stock at \$48 per share. That would bring the total purchase price to \$41,978,304. Acceptance of the offer is recommended unanimously by the Waterman board of directors.

• **Worldwide**—Waterman maintains branches in 25 U. S. cities, and currently has 30 ships operating. Its assets, listed at \$68-million, include repair yards, docks, shipbuilding properties.

In 1954, Waterman showed a net loss of \$845,077, after sliding down from 1951's net profit of \$4,582,313 after taxes.

• **Future**—In that case, where does Waterman fit into McLean's seaborne piggyback idea for transporting loaded truck-trailers between Atlantic and Gulf ports? Waterman provides him with extensive docking and other facilities, shipbuilding properties, trained personnel. McLean says he intends to continue Waterman's own shipping business along present lines from Mobile headquarters.

• **Buildup**—Malcom McLean's sea-going piggyback idea grew out of two decades operation of his McLean Trucking Co. The idea isn't unique, of course; railway freight cars have been carried by sea for years, and several companies now provide a land-sea service similar to McLean's idea.

McLean's plan got under way last year, when McLean Trucking got an option to buy the S. C. Loveland Co., Inc., a coastal steamship and tug-and-barge carrier. This proposal is still before an Interstate Commerce Commission examiner. The McLean Trucking plan also called for having four 650-ft. trailer ships built by Bethlehem Steel.

On Jan. 21, McLean resigned from his trucking company and conveyed his stock interest to a trust company so he could, through McLean Securities, buy the two Waterman subsidiaries—Pan-Atlantic Steamship Corp., and Gulf Florida Terminal Co., Inc.

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WOLFSON still talks about sure victory, but he's bitter about action of . . .



BECK and the Teamsters' union in declaring their support of their new pal . . .



AVERY, Montgomery Ward chairman, who says he made no proxy deal with the Teamsters in connection with Ward's precedent-breaking contract with the union.

Ready for the Rollcall at Ward

The Montgomery Ward proxy war between Louis E. Wolfson and Sewell L. Avery spread farther and farther this week. Dave Beck and his Teamsters' union found themselves in the middle of the kind of fight that's usually waged by front offices and teams of proxy solicitors.

As an aftermath of last week's signing of a contract between Ward and the Teamsters, speculation centers around such questions as:

- Why did Beck urge the Teamsters and their friends to vote their stock in favor of his old foe Avery?
- Why did Avery choose this time to break his 13-year refusal to sign a union contract containing a maintenance-of-membership clause?
- How much stock do the Teamsters control anyhow?
- Is Wolfson licked now?

Those who dislike Wolfson are gleefully asking another question: Is the roof finally falling in on Wolfson, not

only at Ward but also in his other juggling acts (BW—Feb. 26 '55, p. 26)?

• **Breaking Precedent**—The contract with the Teamsters is Ward's first companywide labor agreement, covering upwards of 15,000 workers. Up to now, fewer than 3,000 other workers have been represented by a scattering of unions, with the largest number in the AFL Retail Clerks.

Negotiations have been going on for a year and a half between the Teamsters' Vice-Pres. James R. Hoffa and Ward's Vice-Pres. and Secy. John A. Barr.

Meanwhile, the union has been organizing the company's nine mail-order houses, plant by plant.

The contract includes a standard maintenance-of-membership section, in force to June 1, 1956. Avery's refusal to accept a similar requirement as part of a union contract 11 years ago brought on the showdown in which the Army seized the company to enforce a War

Labor Board order (BW—May 6 '44, p. 170).

This week, however, Avery and his aides denied that Ward had made any concession to the union, had retreated from its principles, or that the clause in question is a maintenance-of-membership provision. They pointed out that Ward employees are "free to join or not to join a union," that the maintenance-of-dues requirement applies only to union members on and after Apr. 15. Other labor experts asserted that maintenance-of-membership clauses normally provide just such an escape hatch.

• **Beck's Move**—At the contract signing, Beck and Avery both showed up in big smiles, double-breasted blue suits, blue ties with a dash of red. Avery joked mildly about the "uniform" they were wearing.

Avery appeared pleasantly surprised when Beck made a statement that he would recommend voting the Team-

sters' stocks in favor of the present Ward management.

This week, Avery agreed that Beck's word had been timely, but he smiled at the suggestion he had pulled off a coup in getting the union's proxies. There had been no talk with the Teamsters about stocks or proxies, he declared. Hoffa's name was mentioned. "Never met him before he came in the door the other day," said Avery. "Nice fellow—modest."

Hoffa had said that the Teamsters own about \$1,050,000 worth of Ward stock—about 13,500 shares. He has been heard to say, too, that the union influences, through friends, the votes another 100,000 shares or so. This is regarded as a reference to Ward stock by trucking companies and by banks in which the Teamsters keep their funds.

• **Wolfson Reaction**—In the Wolfson camp, the first reaction to Beck's statement was gloomy. "If the union does control 100,000 shares," said a Wolfson lieutenant, "at this stage it would hurt us bad."

The next reflex was to think of making capital of the Teamster-Ward contract—Wolfson could say he scared Avery into signing a contract after 13 years of balking. That might build Wolfson up as a true friend of labor. But this week's line in Wolfson headquarters was optimism.

Even if the Teamsters and their friends together can swing 125,000 proxies, says Wolfson, it would not be decisive in a total vote of 6.5-million shares. He thinks he can cut an equal number of proxies from under Avery by persuading trust funds at least not to vote.

• **Didn't Want to Deal**—Wolfson insisted this week that he has steadfastly refused to make deals, or even discuss deals, with the Teamsters or even with fellow financiers such as Isaac Wolfson (no relation) of Britain (BW—Dec. 11 '54, p. 27). He sent a telegram Tuesday to all Ward directors, warning that he would hold them responsible for any long-term contracts—with unions, employees, officers, or suppliers.

Wolfson told reporters that he isn't opposed to the contract with the Teamsters but that he is opposed to Avery's "scrapping his principles" for "a measly" 13,500 votes. He asserted Avery has a long anti-union record, and he himself wouldn't have violated his principles for 1.3-million votes. In any event, he said, he would have delayed the signing of a union contract until after the Apr. 22 annual meeting.

Moreover, said Wolfson, Avery's action has boomeranged—he said his staff had received "several hundred" proxies from people who said they had sent proxies to Avery and were revoking them in anger at the Teamsters deal.

• **Premium Proxies**—Wolfson expressed confidence at midweek that, if proxies keep coming at the present rate, he can get more than 51% of the total vote. He said he will continue to buy stock as long as he can command the proxy, but he isn't paying much premium for irrevocable proxies.

The books on Ward stock were closed Mar. 14. After that date, the proxy remains with whoever was then the owner of record. However, apart from Big Board transactions, stock is moving over the counter with proxies attached. Wolfson says he has had numerous offers of shares at \$10 premiums, but he isn't paying such prices—yet.

• **Wolfson's Target**—At midweek, Wolfson strategists professed to see the showdown in this light:

• If the Illinois court upholds the lower court decision outlawing staggered election of directors—in which case all Ward directors would be up for election—Wolfson would take at least five of the nine seats, would consider four a defeat.

• If the higher court should uphold staggered election—limiting the number of vacancies to three—Wolfson thinks he would be sure of one place, would have a good shot at two seats.

A spokesman said Wolfson now has "far in excess of 1-million shares," plus a group that controlled 514,000 shares as far back as last October.

• **Other Fronts**—Wolfson wasn't wholly occupied this week with his bid for a place in Montgomery Ward. But the side issues were closely related to that battle.

At the annual meeting of Merritt-Chapman & Scott Corp., he predicted that if he wins control of Ward, it would help Merritt-Chapman's Nesco houseware division and Devoe & Reynolds, paint company now being merged with Merritt-Chapman. Thus, he laid himself open to criticism along the lines of Sewell Avery's charge that he was interested primarily in Wolfson, not in Ward.

Then, too, he made a counterattack against a "stockholders' protective committee" at New York Shipbuilding Corp. that seeks (1) to prevent merger of the shipbuilding company with Merritt-Chapman and (2) to keep it from swapping shares for Ward stock.

Wolfson renewed his charge that the committee is phony—made up of 14 employees and the wives of three of them. He said only one of the group had held New York Shipbuilding stock before Jan. 24, and that he can prove the group has been in contact with Montgomery Ward officials to "harass and embarrass" him.

The New York Ship-Merritt-Chapman merger comes to decision next week.

Nonskeds Hit . . .

. . . by CAB's claim that their air-coaches fly illegally. Their likely new role: charter only.

The happy postwar years for the nonscheduled aircoach operators are over. They flourished just after the war by selling their new idea—cheap, no-frills air travel—but now they're zooming rapidly toward extinction. They're being driven out of the sky largely by (1) competition from the powerful scheduled airlines, and (2) regulation by the Civil Aeronautics Board.

Indications that their future is empty come pretty clearly from two decisions made by CAB examiners.

The examiners have recommended that: (1) the nonskeds be given wide scope to conduct charter operations, but that their attempts to run anything resembling regular services be closely restricted, and (2) North American Airlines, the biggest surviving nonsked, be put out of business for illegally offering regular air services.

• **Fate**—Final action by the CAB on these two cases will settle the fate of the nonskeds' aircoach operations.

Whatever the CAB's final decision, economics and regulations have already taken their toll among the nonskeds. Right after World War II, the CAB used its exemption powers to bring wartime-trained pilots and surplus airplanes into the air transport picture. It offered scores of exemptions to nonsked services that were supposed to supplement services already operated by the hard-pressed scheduled airlines.

When they came up with the aircoach idea, the nonskeds found they had tapped an unexpectedly rich market. Their sudden blossoming set scheduled airlines campaigning to stop aircoaches. But the campaign boomeranged, and the scheduled airlines found the CAB putting pressure on them to start aircoach services of their own.

• **Competition**—After that, the scheduled airlines steadily developed aircoach operations to the point where, last year, about one-third of the nation's total air traffic moved by aircoach.

This development cut heavily into the nonskeds' business. The weaker ones went down. And the big ones, looking about for new ways to survive, ran head-on into the CAB. The CAB cracked down whenever the surviving nonskeds became too big and whenever they stepped out of what the CAB thought was their place in the industry.

• **An Example**—Today, in the story of North American Airlines, you can see a good example of how nonsked air-

coach services grew and why they're fading.

North American is the creature of four men—James Fischgrund, Jack B. Lewin, Stanley D. Weiss, and R. R. Hart.

Actually, North American Airlines doesn't exist as a corporate and operational entity. The four principals have put together a network of companies that offer service under the name of North American.

• **Way Around**—The combine flies under five CAB permits allowing irregular passenger service. The flights run under the separate certificates on different days of the week. Other companies do the accounting, maintenance, leasing, and ticket selling. Over-all, the whole show runs as an airline. It was only by resorting to these technicalities that North American was able to get around the CAB's prohibitions against the operation of too frequent and too regular services by the nonskeds.

Two other nonsked aircoach operators—Skycoach and Safeway—have survived. And now, all three are the ob-

jects of compliance cases in the CAB.

• **Distortion**—The running battle that has gone on between the nonskeds and the scheduled airlines over aircoach operations has distorted the true picture of the nonskeds' business.

The greatest number of nonskeds don't operate aircoaches at all. Today, about 40 nonskeds are still flying and of these only about nine are in the aircoach field. These nine, although they fly under separate certificates, actually operate in combinations to form the three groups—North American, Skycoach, and Safeway. Together, these three groups flew their aircoaches about 830,000,000 passenger miles last year and collected around \$15-million in aircoach revenues. (North American's share: 329,476,000 passenger miles; \$10,350,000 in aircoach revenue.)

The rest of the nonsked carriers made their living hauling military personnel and doing commercial charter work. They flew about 416,000,000 passenger miles and split among them some \$37,840,000 in revenue for their work.

TVA Proposes . . .

. . . to finance its expansion through bonds, lease-purchase, and other devices used by private utilities.

The Tennessee Valley Authority this week presented the President's Budget Bureau with its own plans for financing expansion of its power activities.

What it proposes is a radical switch that would put it on something like the same footing as a private utility.

TVA estimates that for the next few years it will need about \$150-million a year for new power facilities, probably more later on. It can't get more than half this from its power sales.

Up to now, the difference has always been made up by appropriations from Congress. But in recent years, Congress has tightened up both on money and on authority for expansion.

TVA Chmn. Herbert Vogel and commissioners Raymond Paty and Harry Curtis came up with the new plan at the request of the Budget Bureau after Pres. Eisenhower had made clear that he is against expansion from appropriations.

• **The Plan**—So now TVA proposes that it:

Issue bonds, notes, and other obligations to supplement yearly appropriations and power revenues as sources of investment funds for new plants and transmission facilities. These bonds would not carry a government guarantee.

Enter into power purchase, lease, or lease-purchase contracts with local utilities, cities, and cooperatives that would build new power plants.

Pay a return to the Treasury for appropriated money used for power purposes, measured by the Treasury's average cost of money on marketable obligations.

Charge rates adequate to cover operating expenses, payments to states and counties in lieu of taxes, interest and principal on bonds, Treasury payments, and a margin for reserve.

• **Sales Pitch**—To sell its plan, the TVA board pointed out that receipts and expenditures of its power system would not be considered in the national budget, except for the portion of its financing coming from appropriations and for its payments to the Treasury.

On that basis, the President may buy it, or parts of it.

Both private and public power advocates are a little overwhelmed by the magnitude of the changes TVA suggests. The big test will come in Congress, which will have to change the law to authorize the new plan.



Losing a Titan, Gaining a Diplomat

Sir Winston Churchill resigned this week, and Sir Anthony Eden took over as Britain's Prime Minister. Eden is perhaps the Free World's most experienced diplomat—and he takes charge at a time when the Free World needs diplomacy as never before (page 25).

For the world, the switch in Britain's leadership means little change—save for the absence of Churchill's prestige, his flow of ideas, and his obstinacies. Eden, no less than Churchill, believes that the safety of the West rests on the Anglo-American alliance. British policy toward

NATO and Europe may warm slightly—it was Eden who persuaded Sir Winston to agree to the permanent commitment of British troops on the Continent.

For Britain, it means that the Conservative Party will look more to Chancellor of the Exchequer Richard Butler as its guide on home policy. Eden's international experience has not made him a politician's politician. Most likely it's Butler who will make, or has already made, the decision for elections, expected May 26.

An Excitable Market + a Rumor

THE COMPANY: Bath Iron Works

THE RUMOR:

A nuclear physicist was hired; could this mean atomic-powered ships, maybe a merger with General Dynamics.

Dollars per share →



THE COMPANY: Peoria & Eastern Ry.

THE RUMOR:

The New York Central might give bonds for P & E stock. That would mean a killing for the P & E stockholders.

What Does a Company on Rumor Ride

An executive of a reasonably small and not completely mythical company with stock listed on the Big Board had a hurried talk with his psychiatrist this week. He was confused, stockholders were confused, he was losing friends, he wasn't influencing people. "What are you supposed to do about these cockeyed rumors?" he asked. His hands were methodically grinding up the market section of the morning paper.

It seems he had lunch with an old school chum in a popular businessman's hangout. Nothing wrong with that. But the old friend happened to be a nuclear physicist (the psychiatrist began to take notes). The next day, the executive continued, he was greeted by a frantic phone operator—there were hundreds of calls from brokers, speculators, the papers. All demanded belligerently: "When are you going into atomic production? Why didn't you tell us? Are you going to merge with X corporation on this?"

All rumors were hastily denied. But for some reason this made the stock double. Then it fell. Then it went back up again (someone had expanded the merger phase of the original rumor). Stockholders were angry, some felt they had been duped by "conniving management." The executive, head in hands,

asked: "What do I do? How do I act?" There was no answer—the doctor was in an inner office calling his broker.

Few executives of the "rumorized" companies actually have to go to psychiatrists—not yet. But many swear they might if merger and atomic rumors keep blowing hot and their stock prices keep on the present seismograph course.

• **Atomic Wildfire**—"We came to work one morning and our telephone board was lit up like a Christmas tree," says an executive secretary of Foster Wheeler Corp. (They made condensers for the atomic-powered Nautilus.) He and the company's president, Admiral Earle W. Mills, went right to work on four phones with: "No, we're not merging with General Dynamics... yes, we have been in atomic marine work for several years... it's all in our annual report." Foster Wheeler stock jumped from 38 1/2 to 50 in the two weeks beginning Mar. 21. Early this week it was down again to around 46.

The "atomic" stock buying fever spread through the shipbuilding industry like wildfire with the publicity given to the Nautilus' successful test run. One New York broker told a buy-hungry customer: "We got a tip that the Nautilus was so successful...

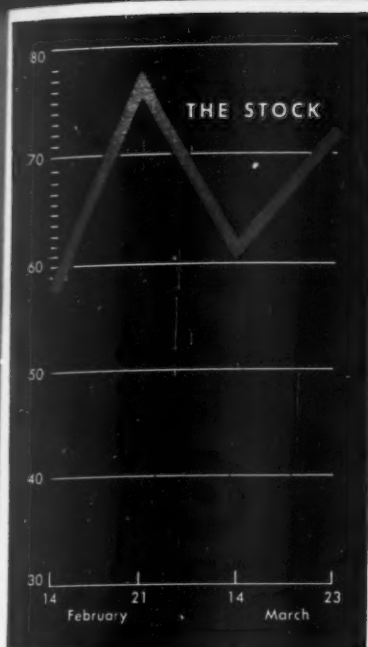
all ships will have to be converted to atomic power... they're obsolete already."

• **Bumpy Ride**—Bath Iron Works Corp., a conservative old shipbuilding company in Maine, took the bumpy ride (charted above) in a sudden flurry of buying and selling on rumors. Pres. John R. Newell, interviewed by reporters, was upset and denied the rumors. "The sudden rises of Bath Iron Works on the New York Stock Exchange have caused many people to wonder what is happening to this... old company," Newell said, adding that "precisely nothing" was happening that wasn't disclosed in its annual report issued Mar. 8.

Bath stock got a startling boost from 33 to about 50 in late January, then settled back around 45 for a few weeks. It took a second spurt the week of Mar. 21, reaching a new high of 72 1/2 on Mar. 29. During that week, a total of 130,000 shares out of a total 418,973 changed hands.

Newell went away for a brief business trip. When he returned, his desk was flooded with notes of phone calls from brokers and stockholders. The Associated Press again raised the question of an old rumor that Bath might merge with General Dynamics Corp.

Gyrating Stock



THE COMPANY:
Warren Foundry & Pipe Corp.

THE RUMOR:

It might merge with U. S. Steel; stockholders might get a fancy price.



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no Ride Do About It?

Newell denied this for the ninth time.

• **Repercussions**—The erratic stock fluctuations raised serious management problems. Plant people were upset by the merger rumors. Many long-term stockholders, attracted by the sudden high price lure, sold their shares.

Some old stockholders became angry because they didn't get "an inside tip" that Bath stock would go up. New stockholders were upset when they bought on a late tip and the stock went down.

To Newell, the rumors were a puzzle and he quickly denied all, avoiding the "no comment" that only compounds the mystery and adds to market stimulation. He could think of only one bit of information outside the annual report that could have set the usually quiet stock on fire—a routine announcement of the employment of a young nuclear engineer formerly connected with the Atomic Energy Commission. Newell said his company was only exploring nuclear power possibilities as most other shipbuilders were doing.

• **On the Rails**—The rumor mongers, though, are not completely wound up in atomic tips. Some are real specialists. For example, a New York Central leased line, the little Peoria & Eastern Ry.—with only 200 miles of

track—took a sudden jump on the Big Board from around 52 to 77½, then fell back again, as charted above. There are about 100,000 P&E shares outstanding and the Big Four railroad (controlled by New York Central) owns more than 50% of them. Of the possible 40,000 to 50,000 shares kicking around the market, at least 25,000 are held by old-time stockholders who don't buy or sell.

With such a thin market left, the P&E stock was ripe for a rumor ride.

According to Willard F. Place, Central's financial vice-president, someone started the rumor that the Central would give bonds in exchange for P&E stock, on the basis of a similar deal given to Boston & Albany RR (another leased line). For P&E stockholders it could be a good deal if true. Place denied any bond deal with P&E, though he did admit that most railroads were looking at their leased lines with renewed interest with the idea of buying them up for tax economies.

• **Obscure**—An even more obscure merger or buy-up rumor sent a little known foundry stock up from around 39 early this year to an all-time high of 62½ (chart). Then it slumped into the 40s. The company, Warren Foundry & Pipe Corp., employs about 500

people, has a small foundry and an even smaller iron ore mine in northern New Jersey.

Rumorists put out the possibility that Warren Foundry might be bought by U.S. Steel. When reporters called, management at Warren said it knew nothing about a merger and that the stock's rapid rise might be because it "was underpriced."

Warren earnings fell off sharply the first six months of last year—to 50 cents a share from \$2.45 in the first six months of 1953. No dividends have been paid since 1943.

But this didn't hamper speculators. Solomon E. Shahmoon, board chairman, owns more than half the 200,000 Warren shares outstanding, so the market was thinly spread. The stock took a ride when rumors hit the Street. Some brokers shrugged and said "could be" when they heard the U.S. Steel merger rumor. Others, more conservative, likened it to the proverbial mouse eying an elephant with romance in mind.

Some Wall Street analysts see danger signs in the speed and extent of buying on tips and rumors. Stocks get out of line, they say, and might take a tumble when the rumors die out. Others don't seem overly worried. One broker said: "It's spring, and the sharpshooters on the Street are working atoms and possible mergers this year instead of electronics and possible stock splits as they did before."

Rough Going on Public Works

● Administration's programs are in peril as Congress quits for Easter.

● Highway plan is just about dead; schools and river project have some hopes.

● So far, Eisenhower hasn't been able to bring pressure on slow-moving Democratic majorities.

The Administration's 1955 public works program has hit some heavy weather, and there is more ahead of it. That much at least was plain when Congress scattered this week for its Easter vacation.

For business, this means some real worries. With millions on millions of dollars at stake in the various sections of the program, planning is hazardous while the laws are still unwritten.

Here is how the score stands now:

- Eisenhower's ambitious \$101-billion highway building program has been all but knocked out by a powerful combination of financial objections and Democratic politicking in the Senate.

- The Administration's school building plan has met a cool reception in both House and Senate, and a brewing fight over segregation threatens to kill alternative proposals.

- The \$1-billion Upper Colorado River development project is in slightly better position, but it faces an uphill fight in the House.

- **Snarls**—Those are the principal public works elements in the Eisenhower program. The legislative snarl on highways and schools is acute, and time is important. House Speaker Sam Rayburn is talking about adjournment by late July.

After Congress returns on Apr. 13 to take up the reciprocal trade program, Administration forces will be turned on highways and schools. Spokesmen say public works are still "musts."

Administration pressure will begin to show up once the measures get out of the Democratic-controlled committees of House and Senate. Republicans in the House can be disciplined under Minority Leaders Joseph Martin and Charles Halleck more easily than their Senate colleagues can. Concentration on the Senate will be the primary objective of the White House.

I. Highways

Several things work against Eisenhower's 10-year program. In the Senate, economy-minded Harry F. Byrd of Virginia dealt the most telling single

blow with his attack on the proposal to create a government corporation with authority to issue highway bonds outside the debt limit.

The Administration is willing to talk compromise on the financing, but is steadfast in its goal—a network of super roads on the 40,000-mile interstate system.

Another big factor is politics. One responsible House Democrat, an expert on highway problems, blames Sen. Albert Gore of Tennessee for the snarl. "He rushed in and turned road building, for the first time in my memory, into a purely partisan subject," the House member says.

Gore, an established Eisenhower critic on many scores, is chairman of a Senate Highway Subcommittee that is scheduled to close hearings Apr. 15. It has before it the Eisenhower plan; Gore's "Democratic bill" to raise the federal ante but to continue road building on generally the same line as at present; and a late starter thrown in by Sen. Francis Case (R-S.D.) as a possible compromise measure.

A member of Gore's subcommittee said this week, "I don't know where we're going. The situation is all tangled up. But one thing's certain—this subcommittee won't take the Eisenhower bill." But neither would the Administration accept the Gore bill, and it views the Case bill—proposing to raise more money by a federal license on trucks and other heavy vehicles—as too complicated and impractical.

- **Still Alive**—One of Eisenhower's highway advisers says, "Our bill isn't dead yet. The House is going to have to straighten out this situation. That's our best hope. And remember this—always in the past it has been the House that has originated our highway legislation."

The House Roads Subcommittee, headed by Rep. George Fallon (D-Md.), opens hearings on Apr. 18. It has before it only the Administration bill.

Fallon hasn't committed himself, but there will be strong Democratic support in the House committee for the Administration bill. And when the

White House begins to apply the pressure, it may score a victory there.

II. Schools

The Congressional mood, both among Democrats and Republicans, seems to favor direct grants-in-aid to the states for school construction. The Administration plan to support state and local construction, and to give federal money only to the really destitute states, has excited little enthusiasm in either Senate or House.

The National Assn. for the Advancement of Colored People is campaigning heavily for a rider that would force any state receiving federal school aid to agree that it would be spent in accordance with the Supreme Court's 1954 decision on racial integration.

Any serious attempt to attach such a proviso would induce a Southern filibuster in the Senate and kill the bill.

- **Progress**—In the House, labor committee Chmn. Graham Barden, of North Carolina, has been conducting desultory hearings. Educators say Barden is deliberately being slow and waiting to see what the Senate does while also keeping his own committee away from minimum wage and Taft-Hartley labor legislation.

If the segregation issue can be overcome, there is some Congressional talk of trying to mollify the White House by adopting two parts of the Eisenhower plan—federal purchase of school district bond issues and encouragement for states to create construction authorities to build schools and deliver them to local districts on lease-purchase deals.

III. Power Projects

The core of Eisenhower's resources development plans is the Upper Colorado River storage project (BW-Feb. 12'55,p56). Two huge dams, Glen Canyon and Echo Park, and 12 irrigation projects are what Eisenhower asked for. The Senate Interior Committee approved additions of about \$700-million worth of projects including four smaller dams and 22 irrigation schemes. The House Interior Committee has recessed its hearings, but has not voted out a bill.

- **Opposition**—Hottest opposition is expected in the House from (1) Californians, who don't want the water diverted in the upper basin for electric power or irrigation uses; and (2) conservationists, who want to preserve the rugged splendor of Echo Park's proposed damsite in Dinosaur National Monument.



SWIMMING IN SAVINGS!

(OR COME ON IN, THE MONEY'S FINE!) by MR. FRIENDLY

YES! American Mutual's safety know-how has helped these eight firms to save \$649,906 through reduced premiums and regular dividend savings. Here are the facts:

Dodge Manufacturing Corp.	Mishawaka, Ind.	\$104,000	in 8 years
Fayette R. Plumb, Inc.	Philadelphia, Pa.	26,950	6 "
Alice Manufacturing Co.	Easley, S. C.	63,555	6 "
Avondale Mills	Sylacauga, Ala.	135,000	7 "
W. C. Hamilton & Sons	Miquon, Pa.	83,613	8 "
Yates-American Machine Co.	Beloit, Wis.	100,102	6 "
Allen-Rogers Corporation	Laconia, N. H.	36,952	11 "
The Bristol Brass Corp.	Bristol, Conn.	99,734	9 "

In case after case where American Mutual Safety Engineers have worked with policyholder companies, they have reduced accidents and premiums to well below average. If you are interested in a service that can help you keep accidents and injuries at an absolute minimum, send for further information about these 8 case stories. Write: American Mutual Liability Insurance Company, Dept. B-120, 142 Berkeley Street, Boston 16, Mass.

AMERICAN MUTUAL



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Here is Elinor Fahrenholz, a copy writer in our advertising agency, working in a Chicago supermarket.

What she learns here will be translated into advertising for our clients ... and back into sales.

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New B&D Sander, 20% lighter, 20% more powerful

This new Black & Decker 7" Standard Sander has been redesigned to give you 20% more power for your *tough* jobs—yet it weighs 1/5 less. Better shaped handle reduces operator fatigue. Spiral bevel gears provide an even flow of power. Special B&D-built motor tailored to fit the heavier demands of this model. Use with accessories to sand, grind, wire brush. See your B&D distributor for demonstration. Write for catalog to: **THE BLACK & DECKER MFG. CO., Dept. W045, Towson 4, Maryland.** **\$70.00**

See "Tools-Electric" in phone directory for

Black & Decker®
PORTABLE ELECTRIC TOOLS

BUSINESS BRIEFS

More building records: The Labor and Commerce Depts. report \$2.9-billion new construction in March. That's the biggest March ever, 14% above the year-ago month. Private construction sparked the rise, which pushed this year's first-quarter figure to \$8.4-billion, the highest on record.

The U. S. Comptroller General, Joseph Campbell, has urged that Ebasco Services, Inc., not participate as designer or supervisor of construction of the Dixie-Yates power plant at West Memphis, Ark., unless (1) the government is protected against costs higher than the contract estimate, and (2) a dispute is settled over higher costs incurred at the AEC's steam generating plant at Joppy, Ill.

Cigarette comeback was reported for January. Internal Revenue Service withdrawal figures indicate a 5% rise in cigarette smoking from the year before. The boost reversed a downtrend that had missed only two months in 1954.

Films for TV only: Republic Pictures Corp. threatens to stop producing films for theater use unless major chains pay higher rentals and give longer runs. Republic says it would concentrate on turning out films for television.

An all-transistor computer, commercially available for the first time, is scheduled for delivery early in 1956 by International Business Machines Corp. Compared to an electronic-tube model of the same capacity, the 608 is 50% smaller, needs only 10% of the electric power (BW—Feb. 5'55,p86). Another space and power saver is the computer's memory, a network of magnetic cores shaped like tiny doughnuts.

Pacific Coast businessmen virtually mobbed the two-day discussion of the peacetime atom in San Francisco this week. Stanford Research Institute and Atomic Industrial Forum, Inc., the sponsors expected a top crowd of 450, got 650 at the opening, and overflow crowds thereafter. All this in an area tagged as not interested in the non-military atom.

Durable goods inventories in the hands of manufacturers held firm in February, the Commerce Dept. reports. Despite heavy factory output, the inventories have been steady since September, marking only a 2% gain.

See what adhesives are doing today!



Harnessing heat for safety's sake



A temperature of 215° F. is just too hot to handle, no matter where you find it. Yet today's wall-type room heater must operate at just such a temperature *inside*, while staying cool enough on the *outside* so that even a child can touch it in perfect safety. What's behind this bit of modern insulation magic? A 3M product called EC-226—the versatile adhesive you see in action above.

Applied quickly and easily by spray, EC-226 has "quick strength" . . . takes a gentle grip on the insulation immediately upon

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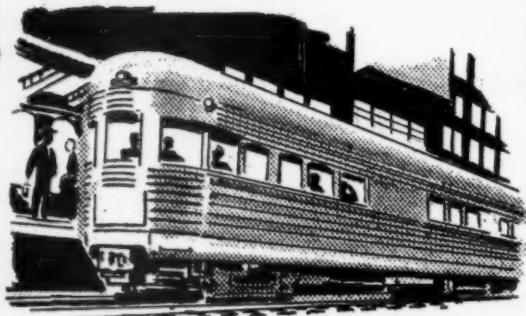
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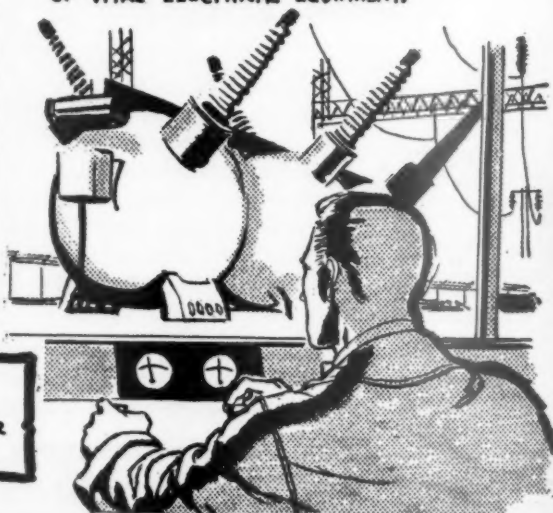
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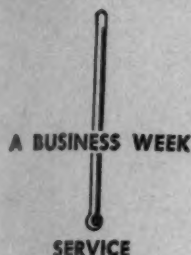
THE GIANT-SIZED CIRCUIT BREAKERS REQUIRED TO CONTROL AMERICA'S TREMENDOUS, GROWING UTILITY POWER LOAD ARE BOTH TESTED AND OPERATED WITH DEPENDABLE EXIDE BATTERIES. EXIDE MAKES MANY BATTERIES FOR MANY INDUSTRIES...TO GUARANTEE INSTANT, POSITIVE OPERATION OF VITAL ELECTRICAL EQUIPMENT.



Exide INDUSTRIAL DIVISION, The Electric Storage Battery Company, Philadelphia 2, Pa.

WASHINGTON OUTLOOK

WASHINGTON
BUREAU
APR. 9, 1955



Washington optimism on the business outlook is rising. The result is that some doubts about the last half are disappearing.

Reason is the first-quarter gain, which is now being tabulated and will show in official reports over the next several weeks. The recovery from the 1953-54 slide has exceeded earlier expectations.

A first-quarter record is probable, as measured by the total value of goods and services. The tentative figure for the quarter, on an annual rate basis, is near \$370-billion—a new January-February-March high point. This equals the peak quarter of 1953, compares with \$356-billion in the first quarter last year, and \$362-billion in the first quarter, 1953.

So, second-half appraisals are being upped. The feeling is that the first-quarter running start will carry through on enough fronts to make 1955 totals stack up high.

Take autos, for example. The worry has been that the very high rate of production so far this year might set the stage for a sharp pitch down later. But the rate of sales has held surprisingly high.

Construction is boiling along, with no sign of letting up. The figures on housing starts, for example, probably will make a first-quarter high.

This takes political pressure off Eisenhower. The Democratic opposition, looking for 1956 issues, is centering fire on economic policies.

Unemployment statistics will be a big issue. Current figuring is that the number of jobless will not hit the 5-million level predicted by Democrats. But the business gains, while substantial, may make no really big dent in the unemployment level, figured at 3.4-million in February. What's expected now is a job increase this year of about 1-million. That would be enough to give employment to new workers and to reduce the unemployed list somewhat—but not enough to take this issue out of politics.

The Easter recess of Congress is a political holiday, in that it will give representatives and senators a chance to visit the folks back home. Also, it will take the heat off the President on many issues, including the Far Eastern situation, which has been getting deep in party politics. Some votes may well be changed, after contact with the voters.

The legislative pace will step up after the recess. Adjournment hopes are being keyed to the end of July. So far, progress is very slow. That's normal in a new Congress, when control passes to the other party.

Many of the preliminaries are out of the way, or are well advanced. These include committee hearings on bills, which are held before legislation goes to the floor of either the House or Senate. Prospects are that Eisenhower will chalk up a good record, after the fighting.

The highway program won't be what Eisenhower wants (page 32)—a long-term plan to take care of the rising number of autos on the road.

But there will be a step-up, regardless of what Congress does now. It's provided in existing law—a rise from \$575-million in federal aid to \$875-million, starting July 1. If Congress does anything on roads this year, it probably will stick to the matching funds basis, with amounts upped.

Betting is on a long-range policy next year, in time for the states to

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
APR. 9, 1955

act in the 1957 sessions of their legislatures. It's too early to say whether Congress will go to Eisenhower's program, or merely liberalize federal contributions to roads. But either way, more highway spending.

School aid is in a tough spot. It is safe to assume most members of the House and Senate want Washington to contribute to school building. The fight is over how to do it, how much to contribute, and how to handle the segregation issue. Expectation is that something will be voted this year, but maybe not so much as proposed by Sen. Lister Hill (D-Ala.) in his \$1-billion program—\$500-million yearly for two years.

Eisenhower still expects to win on foreign trade. The Senate bill that will be voted soon won't be what he wants. But by the time the House and Senate work out their differences on extending the reciprocal trade law, the Administration should have a bill it can live with.

Foreign aid funds will be voted, too. Talk of cutting off aid now shouldn't be taken seriously.

Flexible farm price supports will stay—Secy. Benson won't be overruled on handling farm surpluses and price supports.

The House may turn down 90% supports. Original Democratic plans called for rushing this to the floor before the Easter recess. The delay until after members had a chance to visit voters at home showed weakness. It may still get through the House, if there's vote trading between farm representatives and city members, who want the minimum wage rate raised. But there's no chance of the bill becoming law. If the Senate doesn't stop it, Eisenhower will use his veto, and make it stick.

Exemption of independent gas producers from price control isn't sure, although influential members of both parties in Congress favor it.

New food and drug legislation is in doubt. Proposals to stiffen up federal control won't be taken up until the Interstate Commerce Committees have disposed of the natural gas issue.

New antimerger suits are in sight. The prospect is clear in the plans of the Federal Trade Commission to set up a special staff on mergers.

You can see the pattern in the old study-task force method. It was used on coffee prices and health and accident insurance advertising. In these fields, the studies were followed by suits.

Eisenhower's 1956 intentions are asked about constantly. So far, no one has admitted having an answer. But there are signs.

GOP leaders give assurances of a second-term try. They put conditions: (1) The party must want Eisenhower, not show a real split in the convention. (2) An opportunity for service must be provided, which means real hard work at the local level to win back the House and Senate—regain the majority.

On the Democratic side, there's wide acceptance of the theory that the President can be reelected. In fact, many Stevenson backers would like to see him step aside and let New York Gov. Harriman take Eisenhower on in 1956. That way, Stevenson might be in position for a 1960 try.

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**SMART MANUFACTURERS MAY MAKE A FORTUNE
OUT OF THIS HARD-NOSED KID**

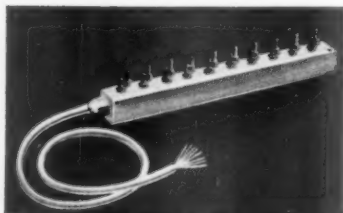
Display mannequin made by American Fixture and Manufacturing Company

Molders and users of reinforced plastic parts are doing amazing things with Glidden GLIDPOL® polyester resins. Take this display mannequin...

Made of GLIDPOL reinforced with glass fibers, she's tough enough on impact to withstand a display mannequin's greatest occupational casualty... noses smashed by tipping-over and falls. GLIDPOL provides high strength, both for load and impact.

And, where parts require it, high dielectric strength (or electrical insulation) is another GLIDPOL feature. Quality control keeps this resin uniform in quality and curing properties from batch to batch. Glidden Technical Service makes it easy for you to switch to GLIDPOL without disrupting production.

All the Glidden polyester resins are described and specified in a technical booklet, GBW-51... write on your company letterhead now.



Telephone terminals, made by Western Electric, require maximum dielectric strength and uniform potting and curing qualities. GLIDPOL provides these qualities.



In this large, variable-section Apex "Wash-A-Matic" washer tub molding, Glidden GLIDPOL provides life-long corrosion resistance to water, detergents, and bleaches.



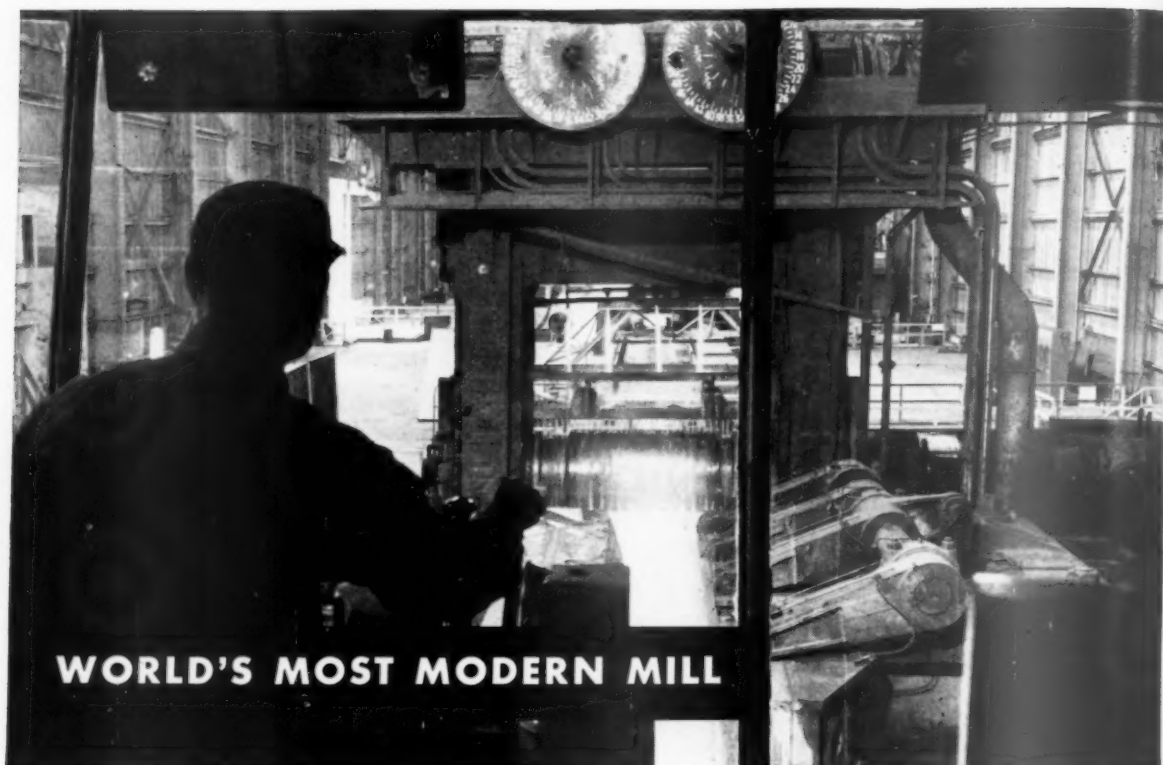
The body of this 1/2-size Ford "Thunderbird" demonstrator, molded by Steiner Plastics for Power-Car Company, was given a smooth, colorful surface with Glidden pigmented "Gelkote" over GLIDPOL.

*a Glidden Trade Mark



GLIDPOL
POLYESTER RESINS

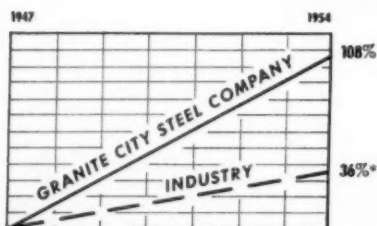
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From 1947 to 1954, ingot capacity of the average U. S. steel mill increased 36%*. During the same period, ingot capacity of Granite City Steel Company expanded 108% — from 620,000 to 1,290,000 tons a year—or three times faster than the industry average!

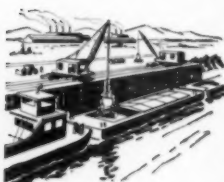
Why? Because the demand for Granite City sheet steel dictated one of the most ambitious plant modernization and expansion programs ever undertaken. An \$89 million investment went into blast furnaces, additional coke ovens, new open hearth furnaces... a

new blooming mill, a new roughing mill... sharply stepped-up hot strip mill capacity... a new hot rolled shear line, a new cold strip mill.

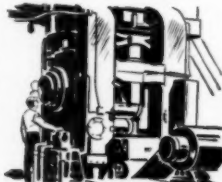
Result: the world's most modern, fully integrated mill, specializing in high quality flat-rolled steel for Middle America.

What does this growth mean to you? Fast, complete service and personal attention to every order, large or small. Granite City is equipped and eager to serve you. May we discuss the steel needs in your business, today?

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PRODUCTION

Cracking Down on Counterfeits

- Brooklyn conviction for counterfeiting radio and TV tube trademarks is first step toward damming a flood.
- The tube manufacturers are trying another way—using new marking methods that are harder to duplicate.
- But it's a long, tough pull to catch even one bogus source in the hope of scaring others off.

In a trim shop in Brooklyn, the women worked busily. One sat at a testing device, checking the radio and television tubes that had come into the shop that day. The tubes were not brand-new, but many still had a glimmer of life.

These were sent on to a chemical bath, where a second woman cleaned off the markings on the glass. At a third station, a woman buffed each tube at its plastic base, removed the manufacturer's trademark.

In a small back room, another woman worked at a marking machine. She put a new trademark on each tube base, new code numbers on its glass dome. Sometimes she marked the tubes with the trademark of Sylvania Electric Products, Inc., sometimes General Electric Co., sometimes Radio Corp. of America.

• **Interruption**—Then the spruced-up tubes were put into cartons and sold to radio and television suppliers around the city. Business was brisk. Barracks Electronics Corp. had an annual gross income of about \$250,000. But it suffered a serious setback one morning in early September last year, when police raided the place.

Two weeks ago, the bottom dropped out. The Court of Special Sessions of the City of New York for the County of Kings found the firm and its owners, Isidore Barracks and Bernard Wasserman, guilty of counterfeiting trademarks.

In three weeks, the men will be sentenced and will then have the right to appeal. The maximum penalty that could be imposed on them is 11 years in prison and a \$5,500 fine. But the degree of punishment is less important to the electronics industry than the fact that a conviction has been secured for trademark counterfeiting.

• **Example**—Now, for the first time, the industry and the law enforcement agencies have an example that should deter.

It has been only in the past three or

four years that the electronics industry has been seriously troubled by counterfeiting. Within the past year it has become really serious, particularly in New York City.

The district attorney's office in Kings County, which chased down the Barracks operation, estimates that there are a couple of dozen counterfeiters in and around New York City. A private investigation organization several months ago estimated that 3-million bogus radio and television tubes had been peddled in the city over a three-month span (BW—Sep. 11 '54, p182).

• **Flood**—For the manufacturers, it is difficult to measure just how much they have been damaged. For a long time, the major tube manufacturers—such companies as RCA, GE, Sylvania, Philco—were not aware of much counterfeiting. Bad tubes would come back for credit; and the manufacturer would destroy them.

Then last July, the dam seemed to break. One manufacturer alone found a pile of 18,000 defective tubes on his hands within a month.

• **Check**—The manufacturers asked the county district attorneys in New York City to make a check. One of the first contacts made by the Kings County office was with the Markem Machine Co., an old, reputable out-of-town manufacturer of marking equipment. Markem's record showed that Barracks Electronics Corp., Brooklyn, had purchased one of its machines.

Jerome C. Ditore, an assistant district attorney in Kings, found a Brooklyn printer who had done work for Barracks. The printer said a representative of the firm had brought copies of well-known trade marks to him and commissioned him to make exact duplicates. From these, stamps could be made for use on the marking machine to stamp spruced-up tubes.

• **Raid**—On Sept. 8, when the Kings County police raided the Barracks shop, they found all of this equipment, plus several boxes of tubes. This was

the evidence that brought conviction.

Word of the raid spread immediately to other counterfeiting outfits in the city. An investigator telephoned his office two hours afterward: "They're all closing up quick."

• **Difficult**—That's one reason it is so difficult to catch a counterfeiter. He operates within a tight ring, where word seems to travel fast.

There's another reason, too. Before the police can invade a shop, they must spend weeks in preliminary investigations. The racket squad in Kings County prepared for nearly three months before the Barracks raid.

Sometimes word of the investigation leaks out and the shop either closes down or shifts to a legitimate business.

• **Switch**—Barracks' operation indicates how a quick switch can be made to legitimate business. While Barracks was doing its counterfeiting, its owners operated a mail order tube business under the name Windsor Electronics. Through trade journals, it sold Windsor tubes throughout the world.

These were the same kinds of tubes that Barracks marked with the trade names of the big electronics manufacturers, but there was nothing illegal about the Windsor operation.

If a group with such a setup got word of a coming police raid, it had to hide only the stamps of the brand-name manufacturers, plus any tubes marked with those stamps.

• **Who Buys?**—Nobody really knows how many dealers and servicemen do business with counterfeit outfits. Some industry men claim there are few repair shops in New York that do not do some business with them.

But most men in the industry still insist that the repair shop on the corner is run by an honest individual.

Those who buy counterfeit goods undoubtedly do it because they cost maybe 80% of what the legitimate manufacturers charge for the real thing.

The dealer who buys them figures he can get a new tube from the authentic manufacturer each time a counterfeit goes bad.

• **Steps**—Now manufacturers are using new marking techniques, more difficult to duplicate. Companies such as Markem are helping by taking special precautions in selling their marking machines.

The racket squads are still busy. Their job is harder now, because other tube counterfeiters have been very careful since the raid on Barracks.

What's Happening

THIS YEAR practically every truck manufacturer is plugging operating economy. The sales pitch is that the new trucks combine more powerful engines with light but strong bodies — so a trucker can haul higher pay loads.

Some truck makers are also pushing style and comfort. Good design is a kind of built-in advertisement for an operator's business; and comfort makes a driver more efficient. Here are some of the new features



WRAPAROUND WINDSHIELD gives better visibility for close-in driving in congested areas in and around the plant, and in heavy downtown traffic.



RUBBER CUSHIONS reduce noise and vibration caused by engine.



CONCEALED HEADLIGHTS are a styling touch copied from passenger cars.



Detroit Trend: Light, Strong, Fast

In the truck market, manufacturers specialized for years in only one kind of engineering. They built operating economy into engines and bodies. And they hung their whole sales pitch on that.

But now the manufacturers are dazzling the rough-and-ready truck owners with something new. This year, more than ever before, nearly all of them are emphasizing style and design in cabs and bodies, and they're giving the new trends an importance almost equal to economy. The pictures above show the latest in high fashion for trucks.

In their turn to fashion, the truck

designers have the same objective as their professional cousins who style passenger cars: They want their products to be eye-catchers.

• **The Reason**—And why? Well, take these cases:

A farmer who's scouting the market for a new vehicle probably can afford only one model, and that's a truck. But his truck must do double duty: It must handle farm chores by day and take his daughter to the dance on Saturday nights.

A fleet owner looking for new vehicles wants economy, certainly, but the style of his trucks can help him plug his

product or his service. For example, in Canada beer and liquor advertising is banned on radio and TV, so some companies use their fleets as an ad medium.

For the future, truck owners can expect still more styling in truck bodies. The shift is toward a truck body that's ultra-streamlined and flexible enough for varied use. General Motors Corp.'s Truck & Coach Div. has experimented with just such a model, which it calls L'Universelle (picture above, lower right).

• **Adaptable**—Basically, L'Universelle is a panel-type delivery truck, but with simple modifications it can double as a

g Trucks?



DISPATCH BOX is centered on instrument panel, within easy reach.



NEXT: GMC's L'Universelle, the highest-style truck yet, is also designed for use as a small bus, taxi, station wagon, or sports car.

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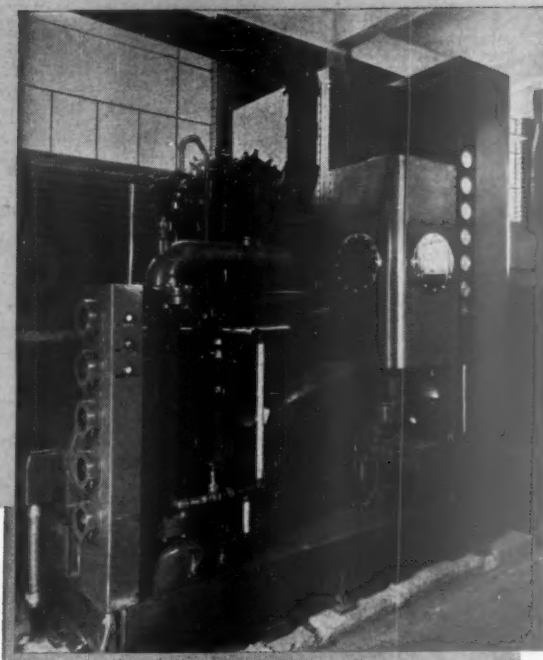
Flashy

small bus, a taxi, or a station wagon. The engine is mounted beneath and behind the driver and it drives the front wheels. That improves styling by eliminating the hood and allowing a deeper windshield. And, because there's no drive shaft to the rear, the truck is low-slung—its clearance is only 13 in. Loading doors on both sides and at the rear are hinged at the top. Harlow H. Curtice, GM's president, has announced the truck is now slated for commercial production and will go onto the assembly line "... as quickly as possible."

The eye-catchers built into this year's trucks are all based on designs

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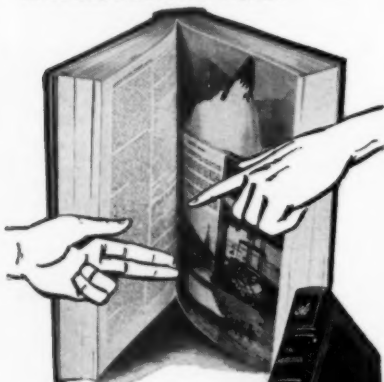
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first used to lift the faces of passenger cars. Most of the style treatment, naturally, goes into the cabs up front. Chevrolet's truck division this year brought out three styling treatments; one for light and medium service trucks, one for heavy duty models, and a third for a super de luxe job, called the Cameo Carrier. GM's line has the headlights sunk into the fenders.

• **Elaborate Styles**—About half the manufacturers have adopted wrap-around windshields, or other constructions that widen a driver's view. You can also get rear window wrap-arounds for pickup trucks, but only at extra cost. Every radiator grid has styling of some sort. The designs are elaborate for small and medium service trucks and, while those for the highly practical tractors are austere by comparison, they still show that the manufacturer has style on his mind.

Interior design of the new models has a dual aim: to give the driver more comfort as well as to catch the buyer's eye. The dispatch box—counterpart of the glove compartment—in Dodge trucks is centered on the dashboard, within easy reach of the driver. The seats have more padding and are fitted with air-relief valves for a softer ride. There are even seats (at extra cost) that have small air pumps which allow for adjusting seat cushions for individual comfort.

Some engines have additional cushioning devices that cut down transmission of noise and vibration to the frame and the cab. (The dampening effect also works the other way. The cushioning devices prevent the strains of rough driving from being carried through the frame to the engine.)

• **Economy Leads**—Despite the rush for fancy styling, manufacturers still have their feet on the ground as far as economy of operation is concerned. They're still booming economy as the prime selling point. They have increased the number of their models. In fact, one manufacturer has doubled his range of models to provide a truck that's tailored to a buyer's specific needs.

Load carrying capacity has increased mostly through improvements in engineering. The trucks can haul more because they are powered with heavier engines whose ratings are up as much as 30 hp. Four Wheel Drive Auto Co., Clintonville, Wis., has boosted the payload of its two new tractors by 500 lb. The trick lay in putting 20% of the load on the front axle and giving one-third of the drive power to the front wheels. Lightweight materials—plastic, aluminum, and magnesium—cut the over-all weight, and boost load capacity. Using fiberglass reinforced plastic, International Harvester Co.'s models have 15% more capacity.

Sugar Is Purer . . .

. . . by new milling process. It's the industry's first big change in a century. And it cuts costs, too.

National Cylinder Gas Co., Chicago, last week turned on the valves of a new process for removing sugar from sugar cane. "It's the first basic change from present methods in more than a century," said officials of the company.

The process got its commercial shake-down at a plant operated by the Fellers Sugar Producers Assn., Fellers, Fla. National Cylinder Gas is all set to market the process and its equipment to other producers throughout the industry.

The big advantage of the process is that it removes nearly all the sugar and allows a purity much higher than that achieved by conventional milling. What's more, the new equipment is cheaper in initial cost, construction, and operation, says National. Its manpower needs are also lower.

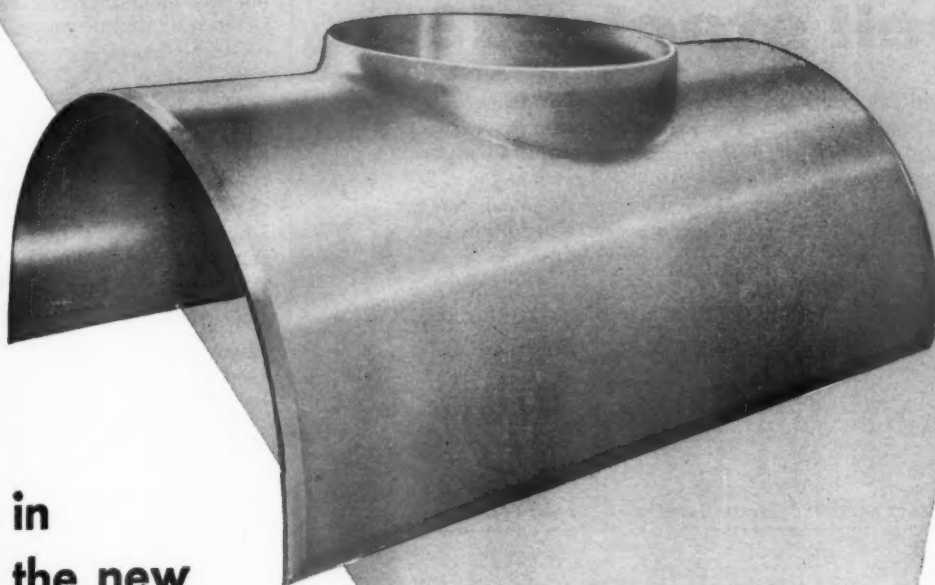
With conventional equipment, sugar-bearing juice is squeezed out of the cane between high pressure rollers. The rollers need enormous horsepower and a large plane for housing. And they squeeze out undesirable impurities as well as the sugar-bearing juice.

• **Savings**—National's plant can process the same amount of cane in a fraction of the space and with less than one-fourth the power and equipment weight. The plant processing is also suited to control by automatic instruments.

In operation, National's process tosses aside high pressure squeezing methods; it relies on the principle of osmosis for its results. The many-celled cane is loaded with a juice that's heavily concentrated with sugar. Plain hot water, which is less concentrated, is used as a solvent. Passing through a piece of cane, the water equalizes the two concentrations in the cane by picking up the heavy sugar juice and carrying it along.

• **Cane to Sugar**—The whole process takes place in a vertical tower. Raw cane feeds into a cutter and is sliced evenly. Some of the juice freed by the cutting is used to carry the slices into the bottom of the tower. Inside the tower a rotating spiral device pushes the sliced cane upwards. Hot water, coming from the top of the tower, sets up a counter-current and helps draw the sugar juice from the cane. The juice is tapped off at the tower's base. The used slices of cane are discharged at the top.

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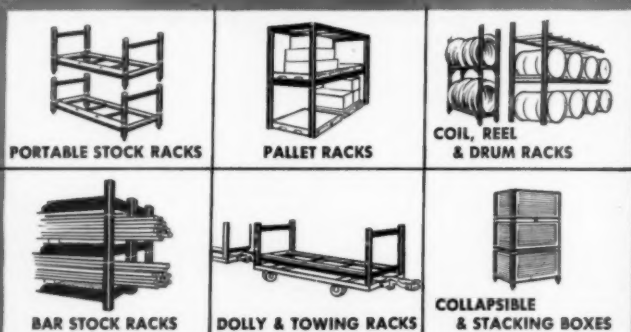
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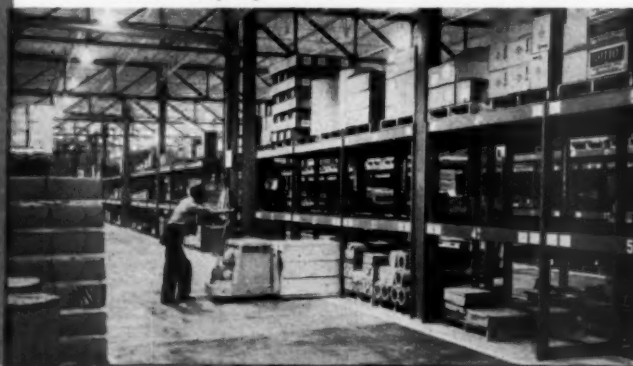
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PRODUCTION BRIEFS

The Russians are believed to be working on an atomic-powered aircraft. This word came out of a Senate committee hearing in Washington last week. The committee is considering a bill that would expand the research facilities for atomic-powered aircraft in the U. S.

The gas turbine car comes closer (BW-Apr. 2'55, p134): A turbine automobile engine needs a heat exchanger with a high efficiency to compete with a piston engine. Last week, Ford Motor Co. said that it had developed one with an efficiency of 83% at the idling engine operation. That's very close to the efficiency needed to make turbines competitive with piston engines.

Octanes go still higher: Universal Oil Products Co., which is one company that has helped push gasoline octane ratings to their present high place, says that it has a new refining process that can push them higher still. The company says it can go above 100 octane, without adding lead.

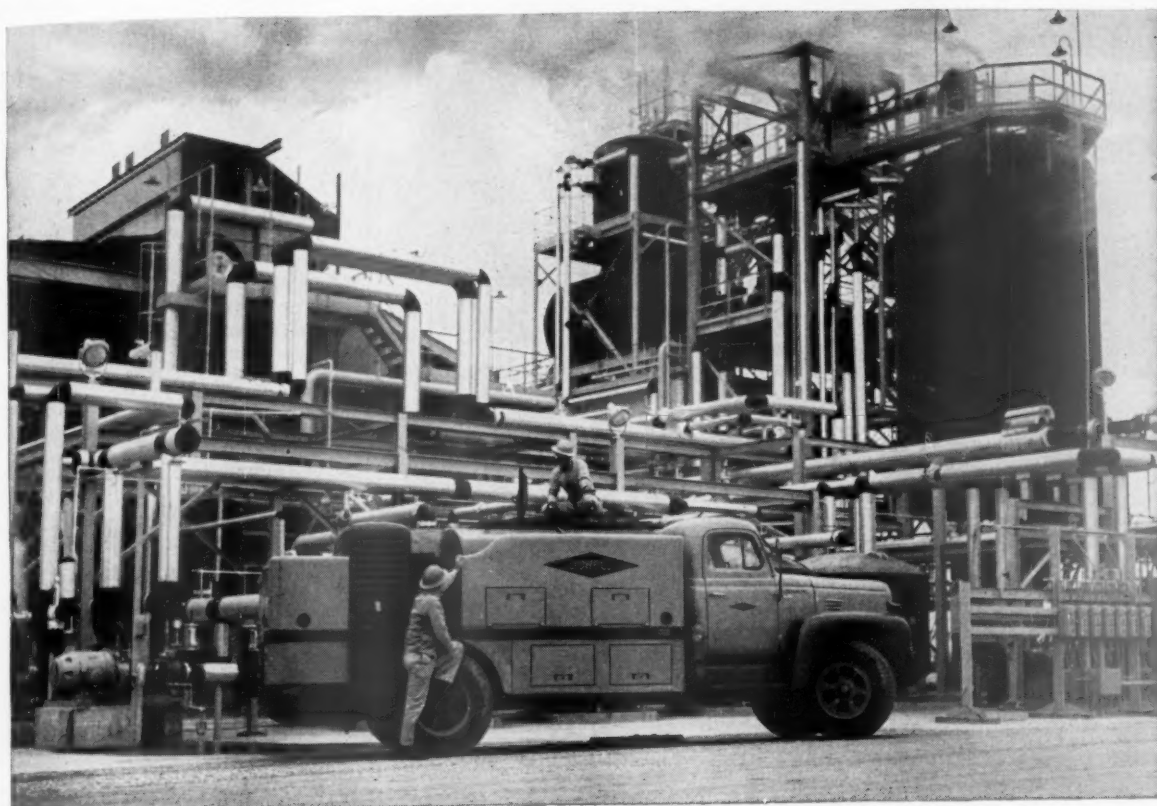
That French locomotive, which set a 200 mph. speed record last week between Bordeaux and Dax, topped the existing U.S. record by more than 70 mph. The U.S. record was set by a Pennsylvania train, 127.06 mph., back on June 12, 1905.

Transistors for highpower use: The Army Signal Corps says that new transistors, developed by Transistor Products, Inc., show promise of being able to handle enough power to replace higher-power vacuum tubes. Under test, the transistors were found to be able to substitute for the dynamotors and power convertors that the Army uses now.

Salt water to fresh at low cost: David S. Jenkins, director of the Interior Dept. saline water conversion program, said last week that conversion of salt water to fresh water at reasonable cost appears in sight. He said that one process is under field test now and that others will be tested next year.

Biggest order for commercial airborne radar has been placed by United Air Lines Inc. United has just signed a \$24-million contract for the equipment with RCA. The company said that extensive tests conducted jointly by United and RCA engineers have proved that C-band radar, developed specifically for commercial use, can penetrate heavy rainfall and solid storm clouds to show paths for smooth flying.

PLANT PROFITS UP \$77,000 AFTER CHEMICAL CLEANING



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was made a regular part of the plant's turn-around maintenance program.

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NEW PRODUCTS

Fluid but Dry

That's Dodge Mfg.'s new power transmission; it uses fine steel shot to do work of fluid in fluid drive.

Dodge Mfg. Corp., of Mishawaka, Ind., will soon market a new-type industrial power transmission, which it describes as "dry fluid drive." Called Flexidyne, the unit is a European development that Dodge has redesigned to American standards.

• **Link**—Any motor must be linked in some way with the thing it is to drive. The units that do the linking may operate in many ways, but they are all called transmissions. Flexidyne is just such a connecting link; its special feature is that it acts also as a safety device, protecting the motor from sudden changes in load and direction that might otherwise damage it.

• **Operation**—The Flexidyne drive has two parts. One is a drum-like housing, which is connected directly to the motor's shaft, and spins when the motor is running.

The second part of the drive is connected to the piece of equipment the motor has to drive. This part looks a good deal like a water wheel, and operates in about the same way. The wheel—actually a shaft with a number of thin blades set in it like the spokes of a wheel—fits inside the housing but is not directly connected to the housing.

Inside the housing, there's also a quantity of fine steel shot, called the flow charge, which takes the place of the fluid in a fluid drive, or the water that turns a water wheel. When the housing spins, this shot is thrown out against the rim of the drum, packed tightly together by centrifugal force. If this shot were not in the housing the unit inside wouldn't turn at all, because the two parts of the drive aren't actually connected. The packed shot acts as a connection, and pushes the blades of the wheel around with the housing as it spins.

• **Protection**—If the load gets too heavy for the motor to handle, the wheel's blades will push through the shot, the drive will slip, and the motor will be relieved of some of the load. If there weren't some sort of device like the drive between a motor and its job, a sudden heavy load on the motor's shaft could ruin the motor.

Dodge says it's easy to regulate the point at which the drive will slip by changing the amount of flow charge. A heavy charge supports a big load; a

lighter charge will cause the drive to slip sooner.

•Source: Dodge Mfg. Corp., 500 Union St., Mishawaka, Ind.

NEW PRODUCTS BRIEFS

Most chain links are weakest at the point at which the link is welded into a solid loop. American Chain & Cable Co.'s new x-weld heavy-duty chain will not break at the weld, because the link is actually stronger there. The company says that the chain can stand temperatures up to 2,000F.

A brush-on adhesive for installing floor tile is being manufactured by Johns-Manville. It goes on with a paint brush, spreads in a thin film. A gallon will cover 250 sq. ft. The tiles can go down 15 minutes after spreading.

Ordering hotdogs by electronics: Motiograph, Inc., Chicago, has an ordering system for drive-in restaurants. Each serving station has an illuminated menu and a microphone. You flip on the microphone, give your order to a switchboard operator. Car hops deliver the orders, but the restaurant needs fewer of them because they make fewer trips.

A quiet transistor, said to make less electronic noise than any vacuum-tube amplifier, has been developed by the Millivan Instrument Corp., Schenectady. A noise level of 3 microvolts is considered good for a vacuum tube; the new transistor's noise level is said to be one-third of a microvolt or less.

A self-winding automobile clock that mounts in the center of the steering wheel was announced last week by Benrus Watch Co. and Chrysler Corp. It will be offered as a factory accessory in new Plymouths. It is also available for installation in 1951 to 1955 models in the Chrysler line.

A typewriter that works manually but makes uniform impressions has been announced by Remington Rand. When a key is tapped, a small weight is triggered. The weight presses the type onto the paper.

Golfer's barometer: Tavor Instrument Co., Rochester, N. Y., has a barometer that is calibrated in golfing terms: dry course, wet course, stay in the clubhouse. It suggests what kind of clothing to wear, whether to travel or stay close to home. Retail: \$12.



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An Old Money Market Hand Peps U

Last week it was reported that New York City's large commercial paper dealers had upped their borrowing rates by $\frac{1}{4}$ of 1%—the third hike this year. Actually, the increase didn't happen all at once. It first showed up two or three weeks ago when some borrowers had to pay slightly more for their short-term money. By the time a few better known corporations had also felt the increase, the "news," you might say, became official.

The firming of commercial paper rates is only one part of the general pattern of a tightening money market (BW—Jan. 22 '55, p60)—but it's a vital part, and becoming more important. Over the last five years (chart, above), the level of commercial paper outstanding has gradually risen, heading back toward the levels of the early 1920s, when commercial paper was a major force in the short-term money market (BW—Nov. 8 '52, p168).

At the end of February, the outstanding commercial paper handled by commercial paper dealers totaled \$703-

million. That was off \$100-million from last September's postwar high, and nowhere near the \$1.2-billion outstanding at the end of 1920, the record year. But 1954 was the top year in three decades, with over \$600-million in dealer paper outstanding at the end of each month, and \$733-million at year-end.

The term "commercial paper" refers to short-term corporate promissory notes, for a period that may run anywhere from 30 to 270 days but is usually four to six months. It's mainly a method of seasonal borrowing. Such paper is sold through dealers on the open market.

• **New Type**—The revival in this old type of commercial paper, handled through dealers, has been overshadowed to a great extent by the tremendous growth of another type of commercial paper—short-term notes of the country's five largest finance companies. This is entirely a postwar growth.

Dealer paper is sold by the borrower to a dealer who in turn sells it to a

commercial bank, insurance company, pension or endowment fund, or some other investor. But finance company paper is sold by the companies directly to investors. Finance company paper outstanding at the end of February came to \$1.5-billion—more than twice the dealer paper outstanding. The two together totaled \$2.2-billion, not much off the record of \$2.3-billion hit in February, 1954 (that was the month finance company paper set its all-time high of \$1.6-billion).

• **Down and Back**—Although the revival of the dealer paper market has gone pretty much unheralded in the face of the fast-moving finance company trade, it is highly significant. Following the 1929 crash, the commercial paper business floundered, along with other financial institutions—though commercial paper generally saw fewer defaults than bank borrowings did. By 1933, the amount outstanding had slumped to \$60-million.

By 1941, it was back above \$400-million, but the number of borrowers

and finance company commercial paper is near the peak of a record postwar growth —

Finance
company
paper

dealer-placed commercial paper

1945 1950 1953 1954 1955

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Ups Up Again

had dropped sharply—and so had the number of commercial paper dealers.

During World War II, business was again skimpy, but since 1945 there has been a marked pickup. However, there are still only about one-fifth the number of borrowers, and only one-third the number of dealers handling commercial paper as in the peak years of the early 1920s.

Last year 449 companies borrowed via commercial paper (the best year in number of borrowers since before World War II).

The amount borrowed by each borrower, though, has hit a record high; in 1954 the average was \$1.6-million, according to the National Credit Office, a commercial credit-investigating agency close to the industry.

Commercial paper is still the stronghold of seasonal borrowers such as the wholesale food companies, many retailers, and textile manufacturers and wholesalers, as it was in the 1920s. Now small finance companies, metal manufacturers, and manufacturers in a num-



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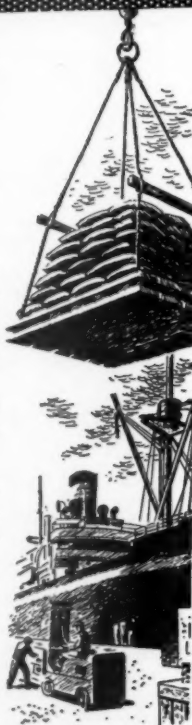
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ber of other fields are also important factors.

• **Quality**—The commercial paper market is still largely a quality market. There hasn't been a loss on commercial paper since 1937, and dealers as well as investors make a thorough check of a borrower's fiscal health.

The borrower must provide the dealer with a mass of fiscal information: a list of bank accounts showing maximum and minimum borrowing over the previous year, audited annual reports for the last three years, and any other information the dealer, or eventual purchaser of the paper, might require in order to satisfy themselves on the credit risk involved.

If you're turned down after the rigorous financial X-ray, you won't be alone. Although no statistics are kept, it's believed that as many prospective borrowers are turned away as can sell their paper on the open market.

Wall Street's Goldman, Sachs & Co., which now handles between 60% and 75% of all dealer commercial paper sold, emphasizes "salability." It has turned down some of the best known names in the country.

Probably the most vital statistic is net quick assets. While dealers have no rule of thumb, few corporations with a net worth of under \$1-million use commercial paper.

• **Advantages**—The advantages of commercial paper are many:

• The rates are generally lower than short-term bank loan rates. The latest hike puts prime 4-to-6 month paper at 1½%; the prime rate on New York bank loans is 3%.

• The borrower establishes its name through the commercial paper market, may find it easier to float securities.

• The commercial paper user can keep his lines of bank credit from reaching saturation point. Most companies use both sources of borrowing.

• **Profits**—Goldman, Sachs and other large dealers currently charge no commission for handling your paper, but some smaller commercial paper houses charge, as formerly, ¼ of 1% on the amount borrowed. Goldman, Sachs makes its profits in the open market by buying paper at, say, a 2½% interest rate, selling it at 2%. Like the underwriters of corporate securities, dealers are at the mercy of the money market. When it goes against them, they often wind up with little or no profit on sale of paper.

• **Buyers**—The dealer's biggest customer for paper is the commercial bank. Big city banks make use of it as a short-term investment outlet. Many country banks rely heavily on the commercial paper market when they have a surplus of lendable funds.

While it may seem strange for banks

Face up to AUTOMATION

let's take a few minutes to remove any mental block preventing you from a basic appreciation of the new concepts of data reduction and automation. Already you achieve an unbelievable amount of data processing in your own personal life: you combine information concerning your income, your required expenditures, the age and physical state of your car, your wife's feelings about style . . . and you process these data mentally to conclude that you will or will not buy a new car. The answer is not straight-forward, but it has its logic.

Similarly, data handling systems and data reduction systems supply *automatically* a humanly-determined logic to various pieces of information, and arrive at the compact answer which you—the process or manufacturing supervisor—feel is most important. You used to look at the information given by a heterogeneous collection of instruments measuring temperature, pressure, flow rates, tank levels, et cetera, and mentally decide whether or not the process was performing up to par: generally no one temperature or pressure or tank level was sufficient information. Nowadays, data handling systems can automatically “look” at these process variables for you, interpret them, and tell you *directly* whether or not the process is up to par—and if it isn't, the data handling systems can usually be made to tell you very specifically what to do to correct the inefficiencies.

You supply the logic

All that the data handling systems are doing, therefore, is automatically and consistently applying your logic to the available information from process or manufacturing operation to give you unhesitatingly—and directly—the specific answer you demand.

So much for data handling, data processing, or data reduction. Let's see if we can determine where the *automation* comes in.

Normally speaking, once you have analyzed the state of the process—either by evaluating the variables humanly, or by relying on an automatic data handling system—you must decide whether corrective action is necessary or whether the process is going along satisfactorily. If you do apply corrective action—you do so according to a logic which you have determined by experience. Both the decision to apply corrective action and the specific correction applied are logically arrived at.

Here's where automation can enter the picture. If you set up a system of automatic devices—a com-

puter, more or less—to carry out the *logic* of “decision making” and “correction initiating,” you have an automated process.

Realize that systems of data reduction or of automation are based on cold logic—there is no magic about them. *You* have to establish the logic, furthermore, before such systems can be effected. The systems merely save you the time and effort of repeating the logical reasoning and physical corrective action over and over again.

When do these systems become feasible?

Many such systems have been operating for years in certain fields of research, process operation, and factory production. When any information collecting and logical processing become repetitive—and when logical decisions and actions also become repetitive—data reduction and automation systems are generally possible. A thorough analysis of time and effort saved—of increased efficiency—will reveal the economic feasibility of such systems.

Who can help you know when such systems are suited to your operation?

The Data Reduction and Automation Division of Fischer & Porter Company has engineers whose systems experience dates back to 1941. The practical know-how of these men has been recently demonstrated in the manufacture of the F&P Automatic Logger, the F&P Multiple Pressure Readout System, the several types of F&P Digi-Coder analog-to-digital converters, and other ready-made packaged systems suited to immediate installation in many processing or manufacturing plants. These men can help you analyze your specific needs.

So if you would like to talk facts and figures on data reduction and automation system for your particular operation, write or call the nearest F&P office now.

Fischer & Porter Company, Hatboro, Pa.

FP complete process instrumentation

SALES OFFICES IN 32 AMERICAN CITIES AND IN PRINCIPAL CITIES ABROAD

LA 104

One thing you can
always be sure of is
**FORT HOWARD
TOILET TISSUES!**



Some slip-ups can't just be laughed off . . . and an inferior tissue service for your customers, guests or employees is one of them. Not when high-quality-controlled Fort Howard Tissue provides so much gentle absorbency at such low cost . . . as little as 7c more per hundred users over an ordinary tissue service.

Fort Howard Tissue is available in 18 grades and folds to suit any requirement, and your Fort Howard distributor salesman will be happy to recommend the *right* service for you. Call him today!



FORT HOWARD PAPER COMPANY, GREEN BAY, WISCONSIN

For 36 Years Manufacturers of Quality Towels,
Toilet Tissue and Paper Napkins

to buy the very paper that competes with their own lending operations, they like it for these reasons. (1) They can stagger their maturities through open market purchases, (2) paper maturing within 90 days is rediscountable with the Federal Reserve, (3) the invested principal won't fluctuate in value, (4) it's an impersonal loan, with no obligation to renew; and (5) it's a relatively safe investment.

• **Finance Companies**—In the sale of finance company paper, the dealer is bypassed completely. These five companies—General Motors Acceptance Corp.; C.I.T. Financial Corp.; Commercial Credit Co.; Associates Investment Co.; and General Electric Credit Corp.—sell tremendous amounts of paper directly to investors, with industrial corporations buying the bulk of it with short-term cash surpluses.

The growth of these companies' credit needs is truly phenomenal. In 1944, they had no paper outstanding. By 1948, with \$397-million outstanding, they were still using bank loans as their principal source of short-term money. By the end of 1953, \$1.4-billion worth of commercial paper of these companies was outstanding—nearly twice the amount of their outstanding bank loans.

• **Behind It**—There are three basic reasons behind the growth of this finance company borrowing: (1) their own mushrooming credit needs, as consumer credit climbs to \$29.7-billion; (2) the large and growing reserve of non-bank funds for investment—in corporate savings, depreciation allowances, and the like, and sums held by life insurance companies, pension and endowment funds; (3) the limits on bank borrowings set by the National Banking Act.

This law limits a national bank to a maximum loan of 10% of its capital and surplus to any one borrower. It has been estimated that to establish a \$650-million line of credit through the national banks would necessitate the use of the 400 largest commercial banks each maintaining lines of credit to the 10% limit. Three of the five finance companies have exceeded this mark in short-term debt already, and all five are at or near their limits of bank borrowing.

• **Rates**—The rate on finance company paper is generally lower than on commercial paper; it normally stands $\frac{1}{4}$ to $\frac{1}{2}$ of 1% above the rate on 90-day Treasury bills.

The latest rise in commercial paper rates was followed early this week by a $\frac{1}{4}$ of 1% hike by the finance companies. Due to recent money market trends, dealers are expected to raise their rates again soon, probably by $\frac{1}{4}$ of 1%, and the finance companies will probably follow suit.

Johns-Manville Fibretone ceilings in this airport-terminal building effectively muffle the roaring noise of the big multi-engine planes that continuously take off from, or arrive at the field . . . and provide an atmosphere of relaxing, unhurried quiet.

Murphy Terminal Building
Bradley Field
Windsor, Connecticut
Thompson and Barnum
New York City
Architects



How to change roaring take-offs to quiet departures!

Johns-Manville

FIBRETONE ACOUSTICAL UNITS

reduce disturbing noise at low cost

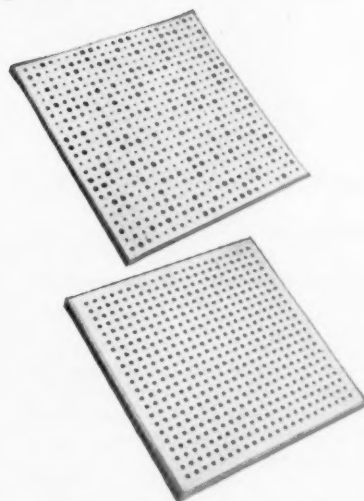
BECAUSE distracting noise is so harmful to efficiency in any activity, practically all new building specifications include acoustical ceilings for sound absorption. However, just because your present building was constructed before sound control became an established science, there is no reason for you to be handicapped by noise. You can have a Johns-Manville Fibretone* Acoustical Ceiling quickly installed over your present ceiling.

Johns-Manville Fibretone offers an acoustical ceiling which is highly efficient yet modest in

cost. It consists of 12" square panels of sound-absorbing materials in which hundreds of small holes have been drilled. These holes act as "noise-traps" where sound energy is dissipated. Fibretone is predecorated, can be painted and repainted, and is available with a flame-resistant finish.

For a complete survey by a J-M acoustical expert, or for a free book entitled "Sound Control," write Johns-Manville, Box 158, Dept. BW, New York 16, N. Y. In Canada, write 565 Lakeshore Road East, Port Credit, Ontario.

*Reg. U. S. Pat. Off.

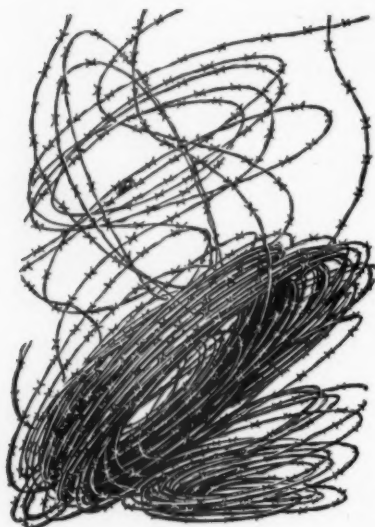


Variety and Uniform Drilled Fibretone units are easily installed over new or existing construction. Hundreds of small holes drilled into the sound-absorbent panels increase acoustical efficiency.

Johns-Manville

40 years of leadership in the manufacture of acoustical materials





Buy hand protection

Time out due to hand injuries costs industry more than any other plant accident. Skilled hands are your long suit. Protect them with Jomac® Work Gloves . . . durable, yet low in cost. Write today for our new catalog. Jomac Inc., Dept. A, Philadelphia 38, Pa.



Jomac Hand Guards, made of springy, tough Jomac Cloth, can be worn over gloves, if desired, to give maximum protection against sharp metal, blows or burns. They can be reconditioned repeatedly.

It pays to keep Jomacs on hand

JOMAC

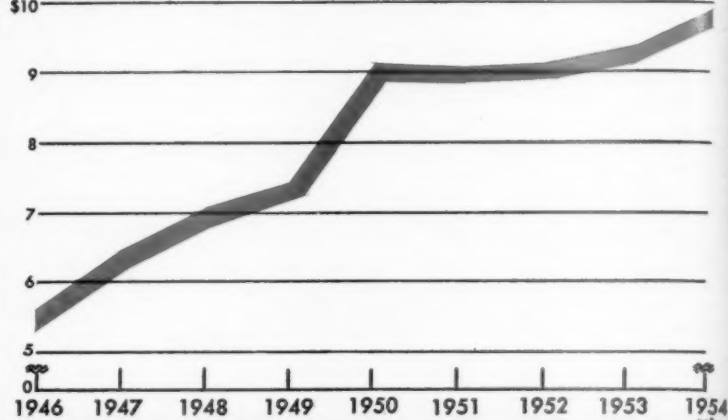
INDUSTRIAL WORK GLOVES

Outwear ordinary work gloves by 900%

Plants in Philadelphia, Pa., and Warsaw, Ind.

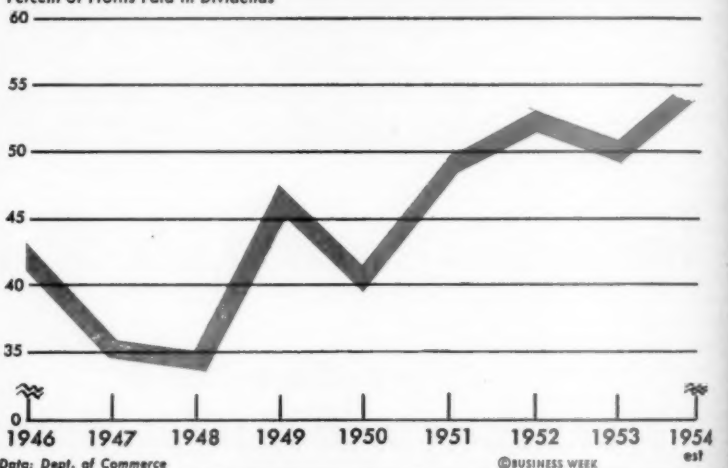
Since the war: More dividends . . .

Billions of Dollars
\$10



And a higher pay-out rate

Percent of Profits Paid in Dividends



Data: Dept. of Commerce

©BUSINESS WEEK

-And Even More to Come

This year's corporate dividends apparently will top the all-time high of \$9.9-billion set in 1954 (upper chart). Even now you can get a fore-taste of what's to come from the early 1955 record.

For the first two months, distributions ran at \$982-million; that's 5% more than January-February last year. And many Wall Street prophets say the year-to-year comparison should become even rosier from now on. Here are the assumptions from which they reason:

- Corporate profits may run as much as 10% about 1954.

- The corporate pay-out rate may continue the steady climb that reached a postwar peak last year (lower chart). A good many companies are actually in a stronger cash position than their re-

ported earnings indicate. This is because of the wide adoption of the new accelerated federal income tax depreciation schedules.

- **Tax Stepup**—On the other hand, some corporations may have to begin this year to hang onto a larger percentage of earnings for working capital, because the Treasury is stepping up corporate tax payments. Under the new program, September and December prepayments of federal income taxes will be boosted in each of the next five years. By 1959, corporations will be paying half of each year's tax bill before that year is over. Compare that with this year, when corporations had until mid-March to pay half of their 1954 income tax bill, with the other half due in mid-June—all this plus 5% payments

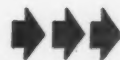
This is

TENITE POLYETHYLENE



an improved Polyethylene
made in spherical pellet form
by Eastman—the first new
producer in over 10 years

Turn this page to see some
of the many products being
made of Tenite Polyethylene



TOUGH, COLORFUL KITCHENWARE

1. **Pail.** 2. **Juice Container.** 3. **Food Strainer.** Dapol Plastics, Inc., Worcester 5, Mass.
4. **Food Freezer Boxes.** Central Home Products, Syracuse, N. Y. Molded by Ontario Plastics Co., Rochester, N. Y.
5. **Juicer.** Falcon Plastic Products Mfg. Co., Culver City, Calif.

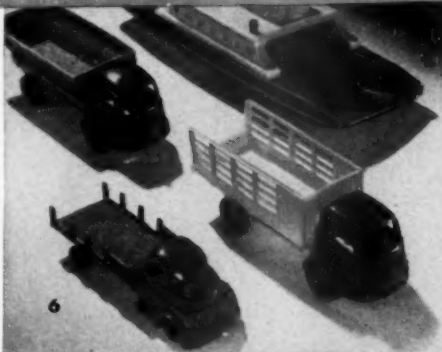
Will **TENITE POLYETHYLENE**
mean faster sales for your line?



SAFE, UNBREAKABLE TOYS

6. **Trucks and Ferryboat.** Banner Plastics Corp., Paterson 3, N. J.
7. **Rodeo Toys.** Archer Plastics Co., Woodside, N. Y. Molded by Almor Plastics Corp., Elmhurst 73, N. Y.
8. **Sand Buckets.** Thomas Mfg. Corp., Newark 5, N. J.
9. **Play Hats.** Actwell Toys, Inc., Hoboken, N. J.
10. **Truck and Tractor.** Processed Plastic Co., Aurora, Ill. Molded by Han-Win Products Co., Aurora, Ill.

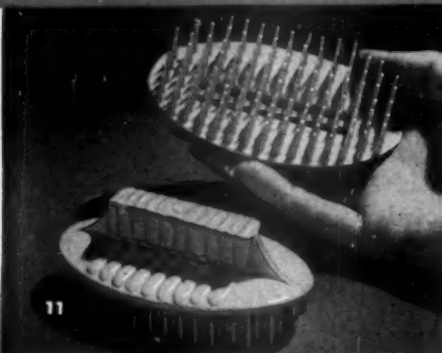
Could **TENITE POLYETHYLENE**
help your toys take harder knocks?



DURABLE, NON-CHIPPING HOUSEHOLD ITEMS

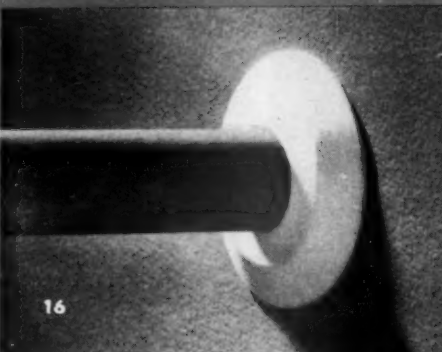
11. **Shampoo Brushes.** Thomas Mfg. Corp., Newark 5, N. J.
12. **Pitcher and Coasters.** Dapol Plastics, Inc., Worcester 5, Mass.
13. **Funnel.** Ontario Plastics Co., Rochester, N. Y.
14. **Toilet Seat Bumpers.** Plastiglide Mfg. Corp., Santa Monica, Calif.
15. **Ice Cube Trays.** Tremex Industries, Chicago, Ill. Molded by Anchor Plastics Co., Chicago, Ill.

Would **TENITE POLYETHYLENE** help
your home products last longer?



plus many other PROFITABLE IDEAS IN PLASTIC

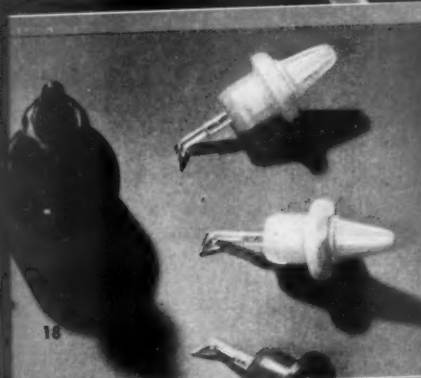
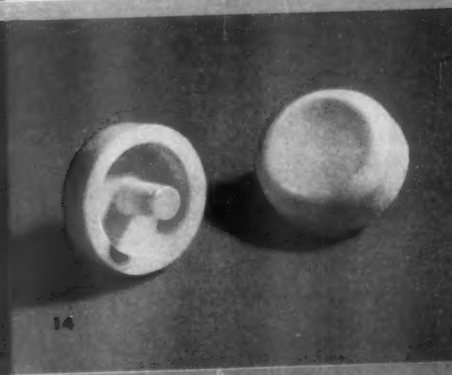
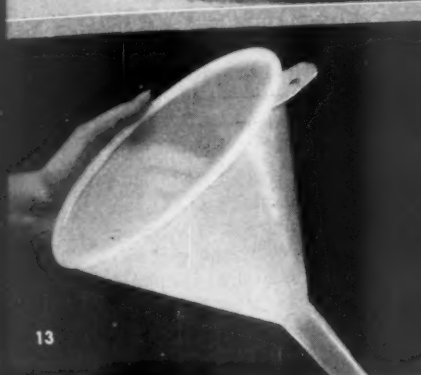
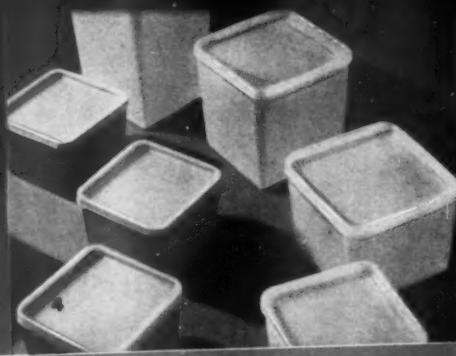
16. **Pipe Flanges.** Falcon Plastic Products Mfg. Co., Culver City, Calif.
17. **Friction Catches.** Jaybee Mfg. Corp., Los Angeles 65, Calif. Molded by Plastiglide Mfg. Corp., Santa Monica, Calif.
18. **Ink Stoppers.** Neo-Line Products Corp., Woodhaven 21, N. Y.
19. **Bottle Caps.** Replicap Corp., Bradford, Ohio
20. **Lunch Box.** Dapol Plastics, Inc., Worcester 5, Mass.



21. **Syringe.** Delta Laboratories, Inglewood, Calif. Molded by Aircraft Plastic Molders Ltd., Los Angeles, Calif.
22. **Red Heart Dog Feeding Dish.** Molded and distributed by Lind Plastic Products, Inc., Chicago, Ill., for The Red Heart Div. of John Morrell & Co., Chicago, Ill.
23. **Beverage Can Spout.** Berkshire Plastics Co., Inc., East Longmeadow, Mass.
24. **Practice Golf Balls.** Tigrett Industries, Chicago 11, Ill.

Can lightweight, corrosion-resisting **TENITE POLYETHYLENE** help you make some product better or simplify its production?





TENITE
POLYETHYLENE
an Eastman plastic



Can Tenite Polyethylene add more sales appeal, better performance or longer life to the products you make?

Tenite Polyethylene is a plastic suited to many uses.

It is odorless and tasteless. It remains flexible over a wide temperature range and is virtually unbreakable. The lightest of all solid plastics, it saves weight in every application.

Tenite Polyethylene is tough — but soft enough not to scratch delicate surfaces.

Resilient, it resists permanent deformation and affords airtight seals for containers and closures, providing an effective barrier to moisture and odors.

At ordinary temperatures, Polyethylene resists the attack of most chemicals and solvents. It offers outstanding resistance to many severely corrosive liquids.

Tenite Polyethylene is easy to mold. Its resilience simplifies mold and core design. Undercut parts can be stripped easily from cores — a procedure which is extremely difficult with other rigid plastics.

To the inherent molding ease of this plastic, Tenite Polyethylene adds the many advantages of spherical pellet form. Spherical pellets flow freely through molding and extrusion machine hoppers. Their smooth, unbroken surfaces resist accumulation of dirt during storage and use. And, because there are fewer "fines," molders can clean hoppers quickly when changing colors.

Spherical pellets are space-savers, too — 1000 pounds of Tenite Polyethylene pellets can be shipped or stored in the

same space needed for only 900 pounds of ordinary pellets.

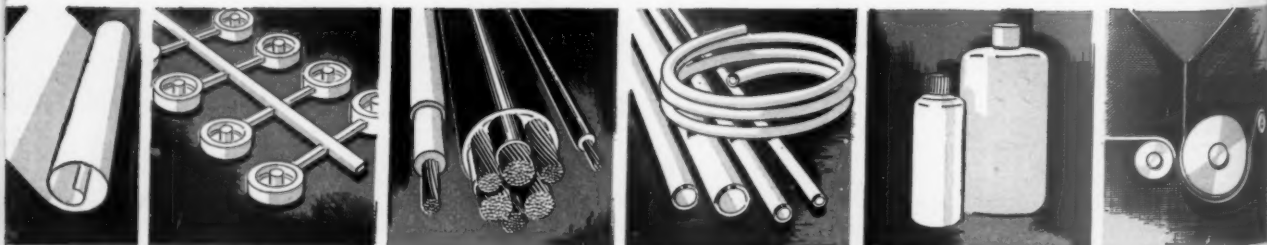
Investigate Tenite Polyethylene as a new material for your use. It is available for injection molding, blowing or continuous extrusion in a wide variety of colors and colored concentrates.

Eastman, the manufacturer of Tenite Polyethylene, is one of the pioneers in plastics. As a leading producer of the thermoplastic cellulose, Tenite Acetate and Tenite Butyrate, Eastman brings over 20 years' experience to users of Tenite Polyethylene — another thermoplastic material. So look to Eastman for the help you need in designing plastic products made of Polyethylene. Your molder or molding department can tell you more about the quality of Eastman plastics and the technical service which backs them up.

For more information on Tenite Polyethylene and help in adapting the many advantages of this versatile plastic to your product needs, write to EASTMAN CHEMICAL PRODUCTS, INC., a subsidiary of Eastman Kodak Company, KINGSPORT, TENNESSEE.

Information regarding Tenite Polyethylene also can be obtained from local representatives listed under "Plastics-Tenite" in the classified telephone directories of the following cities: Chicago, Cleveland, Dayton, Detroit, Houston, Leominster (Mass.), Los Angeles, New York City, Portland (Ore.), Rochester (N. Y.), St. Louis, San Francisco, Seattle and Toronto—elsewhere throughout the world, from Eastman Kodak Company affiliates and distributors.

TENITE POLYETHYLENE *an Eastman plastic*



POLYETHYLENE APPLICATIONS INCLUDE packaging film ... molded products ... wire and cable insulation ... pipe and tubing ... bottles ... paper coatings

on estimated liability for 1955 payable on Sept. 15 and Dec. 15.

George Moore, executive vice-president of the First National City Bank of New York, says the new system will have taken nearly \$8-billion out of working capital by the end of 1959. Presumably, the first \$1.6-billion or more will come out of 1955 earnings. For comparison purposes, net earnings after taxes for 1954 are estimated at \$17.8-billion, compared with \$18.3-billion the year before.

• **Eye to Profits**—Still, bullish forecasters tend to discount the stepped-up tax payments, arguing that the anticipated 10% increase in profits should more than make up the difference.

FINANCE BRIEFS

The Fulbright investigation put no dent in trading volume on the Big Board. March dealings came close to 66.9-million shares, tops for the month in 25 years.

Barber Oil Corp. will net \$14-million after taxes from the sale of its 25% stock interest in American Republics Corp. T. Reiber, Barber president, says the money will be put in "investments as favorable opportunities arise," some of it may go to buy up Barber's own stock.

To finance expansion plans, Illinois Bell Telephone Co. will offer \$66.3-million of new shares to "present stockholders." Note: AT&T owns 99% of Illinois Bell's outstanding shares.

Rising state taxes: Washington State will soon boost its retail sales tax from 3% to 3½%, and its cigarette tax will go up 1¢ a pack. . . . Utah is hiking its corporate income tax to 4% from 3%.

Merger rumor denied: Charles F. Adams, Jr., president of Raytheon Mfg. Co., says it is not true that Raytheon is planning a merger with Minneapolis-Honeywell Regulator Co. However, Adams said, the companies have worked together on projects in the past, and are now considering a joint venture into the field of data handling and computer machines.

Phillips Petroleum Co. is calling for redemption, at 103¼% of par, of \$25-million convertible debentures, due in 1983. This will mean a sharp boost in the number of common shares outstanding. Phillips common is now selling around \$75, but the debentures can be converted into stock on the basis of \$65 a share.

INVINCIBLE

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The right combination for maximum protection

Take your pick . . . handsome Modernaire desk or efficient Invincible file. Equipped with a concealed safe unit, each is the perfect place to keep valuable papers, confidential records, narcotics, dangerous drugs and other valuables from prying eyes and fingers. Gives you convenient, fingertip safety PLUS famous Invincible styling.



The Invincible Concealed Safe Unit is available in either desk-high, counter-high or standard four-drawer filing cabinets. Choice of letter or legal size with or without general lock for file drawers.

Set the pace for better business living



INVINCIBLE

METAL FURNITURE COMPANY

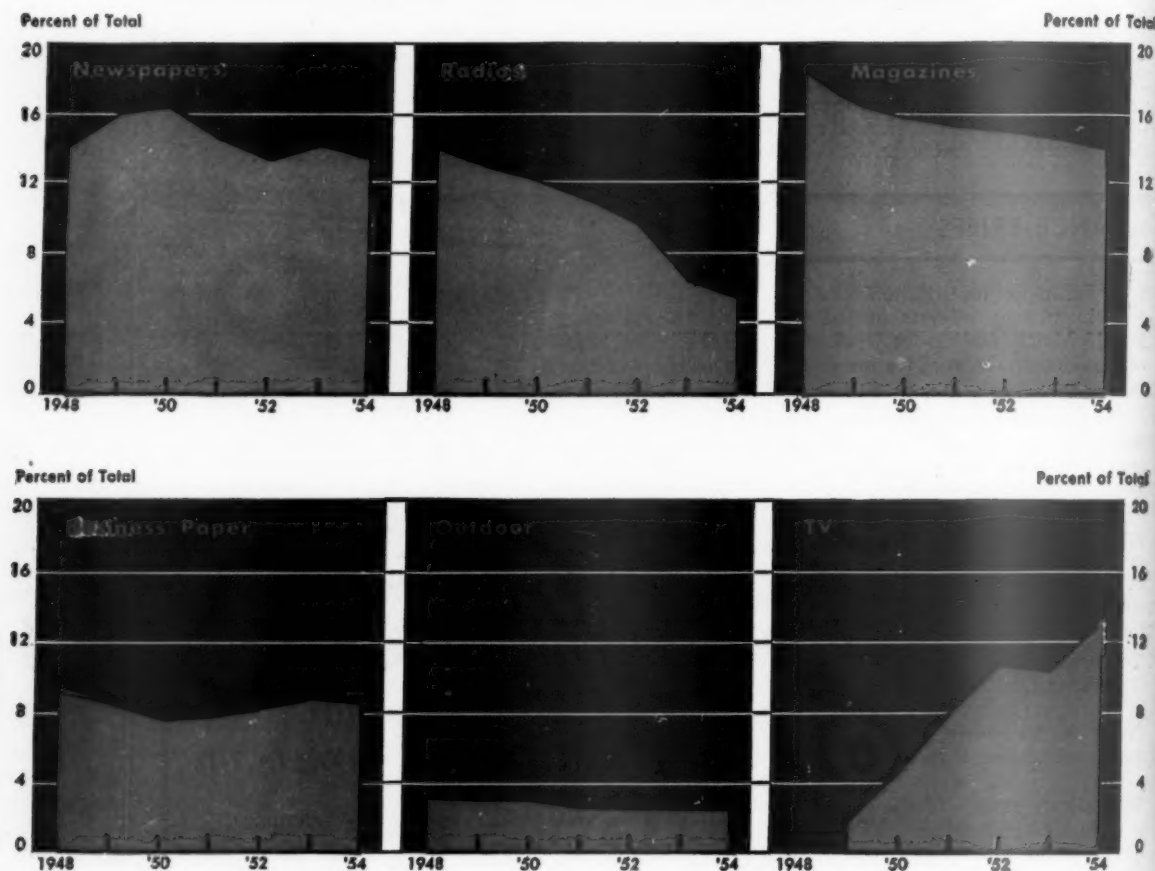
MANITOWOC, WISCONSIN

In Canada: A. R. Davey Company Limited, Factory Representative
175 Bedford Road, Toronto 5, Canada

MARKETING

How National Advertising Media

Their share of total national advertising volume 1948-1954



Data: McCann-Erickson Control Research Dept., Printer's Ink.

©BUSINESS WEEK

Television's Gain Is Other

Ever since television erupted onto the national scene, newspapers, magazines, and other media have been consoling themselves by harking back to what happened after radio blossomed into an advertising medium. Radio, despite its appeal and its broad national coverage, never really hurt other media. Indeed, thanks to the growth of the economy, all media made impressive gains.

This has led to the comforting belief that as long as the economy expands, there will be plenty of room for everybody.

The argument has now begun to wear thin. The economy is expanding. Advertising is growing at even a slightly greater pace. But there is little doubt any longer that television is hurting the others.

1. TV's Record

A look at the figures above will show what is happening. Last year, network television chalked up the biggest dollar gains in its short and dazzling career. According to Publishers Information Bureau figures, the nets increased their

revenue from the sale of time by about \$92.5-million over the year before, a 40% gain.

By comparison, the performance of other media was fair, mediocre—or worse.

Radio, of course, took another beating. Even national and regional spot business, which had been showing steady gains over the past few years despite the erosion of network radio, had a sharp setback.

Magazines over-all were just able to hold their own in dollar advertising volume. Several groups, like the home

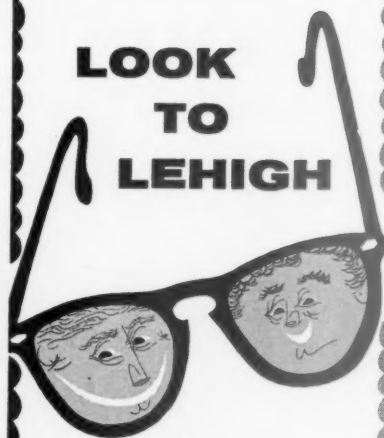
Media Are Doing

How they fared 1954 vs. 1953

MAGAZINES	1953	1954	% Change
Weeklies	\$301,663,813	\$310,768,069	+ 3
Women's	104,286,040	99,856,287	- 4
Home	56,125,736	54,186,582	- 3
Form	33,074,925	31,794,732	- 4
General Monthlies	33,127,532	31,753,447	- 4
Management	23,698,473	24,878,335	+ 5
Fashion	20,456,031	20,577,410	+ 1
All Others	30,681,276	30,306,193	- 1
TOTAL	\$603,113,826	\$604,121,055	0
NETWORK TELEVISION			
Columbia Broadcasting System	\$ 97,466,809	\$146,222,660	+50
National Broadcasting Co.	96,663,807	126,074,597	+30.5
American Broadcasting Co.	21,110,680	34,713,098	+64.4
DuMont Television Network	12,374,360	13,143,919	+ 6.2
TOTAL	\$227,585,656	\$320,154,274	+40.7
NETWORK RADIO			
CBS	\$ 62,381,207	\$ 54,229,997	-13.1
NBC	45,151,077	34,014,356	-24.7
ABC	29,826,123	29,051,784	- 2.6
Mutual Broadcasting Co.	23,176,137	20,345,032	-12.2
TOTAL	\$160,534,544	\$137,641,169	-14.3
NON-NETWORK RADIO			
National & Regional Spot	\$215,200,000	\$121,935,000	-43
Regional Network	10,500,000	4,666,000	-56
TOTAL	\$225,700,000	\$126,601,000	-44
BUSINESS PUBLICATIONS			
TOTAL	\$354,300,000	\$372,000,000	+ 5
OUTDOOR			
TOTAL	\$119,000,000	\$125,200,000	+ 5.2
NEWSPAPER LINAGE (52 cities)			
General	367,778,322	358,040,062	- 2.6
Automotive	140,094,263	143,015,007	+ 2.1
TOTAL	507,872,585	501,055,069	- 1.3

Figures on magazines, network radio, and network television from Publishers Information Bureau are based on one-time card rates, as are Broadcasting-Telecasting Magazine's estimate of non-network radio and television time sales. Figures on business publications are from McGraw-Hill Publishing Co.; those on outdoor advertising are McCann-Erickson Central Research Dept. Newspaper linage figures are from Media Records. Sunday newspaper supplements are counted with newspapers.

LOOK TO LEHIGH



For
**High Efficiency
Warehousing and
Distribution**

In storing and moving goods to market, keen sighted men choose the Lehigh way. Lehigh offers not only the latest warehousing and fast delivery services, but new concepts of aid to marketers.

Our 35 years of specialized experience are at your disposal for solving warehousing service problems in a manner that meets your particular needs. Leading manufacturers have found Lehigh services more efficient and less costly than operating their own warehouse and delivery fleets.

Our five modern warehouses and spot delivery fleets in the New York area put you in the world's richest market and seaport. In the booming south, commercial and industrial leaders benefit by the convenient Lehigh space, facilities and services in both Richmond and Atlanta. Our huge Horseheads center in upstate New York is an ideal location for multi-market distribution, processing—even manufacturing. Our unique tank farm at Bayonne, N.J., unloads bulk liquids, stores and repacks for low cost distribution. Be far-sighted. LOOK at the Lehigh story. Write, phone or wire.

LEHIGH
**Warehouse &
Transportation Co.**

102 Frelinghuysen Ave.
Newark 5, N. J.



Telephones:
(N. J.) Bigelow 3-7200
(N. Y.) Rector 2-3338

Media's Loss

service and women's magazines, which had been doing well in the past few years, showed definite losses.

National newspaper linage, according to figures from Media Records, suffered a dip that carried them back to the pre-1952 levels.

The gains that television made came straight out of the hides of these media, a point that shows up clearly in the PIB figures.

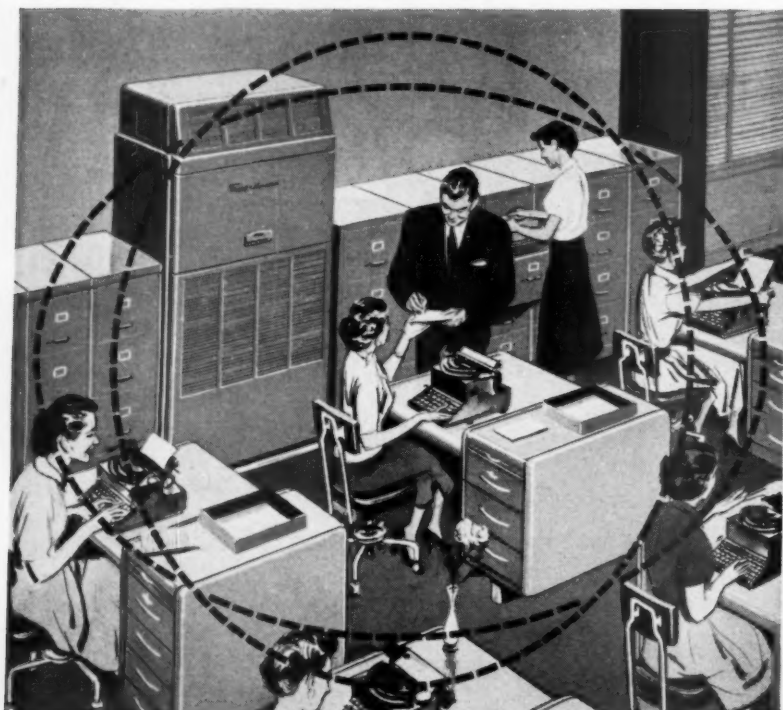
• **\$70-Million Gain**—The media in the four groups studied by PIB—magazines, newspaper sections, network radio, and network TV—had a collec-

tive gain in revenue of some \$70-million last year over 1953. Since neither magazines nor newspaper sections had any gains, television got the entire \$70-million—plus the \$23-million that radio dropped.

Television picked up its biggest gains from food advertising—some \$22-million in new revenue. Magazines were also gainers here, by about \$5-million. Radio lost \$7-million in food advertising.

Television's second biggest gains from any group came from toiletries advertising—about \$13-million. Soap

Your dollars buy more comfort here !



Frigidaire "Great Circle Cooling" ends wasteful half-way air conditioning

To do its job right, an air conditioner must first generate enough cooling power; and second, it must circulate the cooled air throughout the area to maintain the proper comfort level. That's why your dollars buy more air conditioning with a Master-matic Frigidaire Conditioner.

Frigidaire "Great Circle Cooling" gets all the cool, crisp, conditioned air up, out and around. Circulates it freely and scientifically. Wastes no cooling. Creates no drafts or blasts to annoy employees or customers.

Saves you money, too

Besides cooling larger areas more efficiently with full use of its cooling power, Frigidaire also saves money on operating costs. The careful balancing of the Multipath

cooling unit with Frigidaire's famous XD Meter-Miser compressor squeezes every possible degree of cooling power from every penny's worth of electricity.

Four-way air distribution hood may save you money, too, since it often eliminates the need for special grilles and ducts.

Other features are the sturdy all steel construction, quiet operation and large, cleanable filter that blocks dust, dirt and pollen. Available in large range of capacities.

See your Frigidaire Air Conditioning Dealer—his name is in the Yellow Pages of the phone book. Or write Frigidaire, Dept. 2350, Dayton 1, Ohio. In Canada, Toronto 13, Ontario.

Frigidaire Conditioners

Built and backed by General Motors

gave it about \$12-million more—\$8-million new money in the field plus about \$4-million dropped by the other three media.

Home furnishings offered a particularly dismal picture for the other media. In all, PIB found a drop of more than \$3-million for the four media. But TV still gained about \$1-million in new revenue out of home furnishings advertising.

There is a further sobering thought for some media. In many cases where they were able to hold their own last year, they did it by virtue of rate increases. The magazines in the PIB group showed a drop last year in the total number of pages of advertising they ran—81-million as against 85.3-million the year before. Thus, though they stayed the same in dollar revenue, they suffered a drop in physical volume.

II. Room for All

Theoretically, all media should have done better last year. For 1954, despite the recession, was the best year in advertising history.

According to the annual figures prepared for Printer's Ink by the McCann-Erickson advertising agency, over-all advertising volume—local and national—came to \$8.1-billion last year, a gain of 4.3% from the year before.

Better yet, the advertising rate is improving. That is, if you compare the total dollar figure for advertising with national income, you find that as a percentage advertising is creeping upwards.

This has long been a worry to the agency people along Madison Avenue. Before 1929, advertising as a percent of national income was around 4%; in the mid-1930s it was about 3%. During the war, of course, when no one needed to advertise to get sales, the ratio plummeted. Since then, it has been struggling slowly back towards the prewar level—from 1.6% in 1946 to 2.5% in 1952, 2.6% in 1953, and finally 2.7% last year.

• **Rates Up**—It's significant that both the advertising dollar volume and rate continued to climb last year despite the economic setback. Manufacturers' sales turned down about 5% from the year before, but national advertising expenditure increased by 6.5%. Thus it is apparent that national advertisers were not scared by the recession. They increased their advertising budgets in order to drum up more sales.

Madison Avenue is looking for another rip-roaring year. Said one ad agency man last week, "We're really a boom business."

• **Auto Threat**—There is only one major area of worry. Advertising men hope that the automobile industry, with its record rate of production in the first

Why REYNOLDS ALUMINUM

in the ELECTRICAL INDUSTRY?

Because Reynolds rises to the needs of the Electrical Industry—*witness* new RABC (Reynolds Aluminum Bus Conductor) with its greater strength, high conductivity, freedom of shapes and unlimited intermediate sizes.

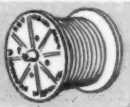
Because Reynolds expanded to meet the Electrical Industry's expansion programs—*witness* the new 200,000 square feet wire and cable mill addition at Listerhill, Alabama.

Because Reynolds Engineering Service is now called on by the Electrical Industry more frequently than ever before—*witness* the 160 prospect and customer requests from thirty states and three foreign countries in 1954 for: 1,009 sag and tension charts and 489 tables and templates on staking, stringing sag, pole guying, etc. This in addition to hundreds of simpler, field serviced requests.

Because you can expect more of Reynolds Aluminum for the Electrical Industry—and all industry. This is a promise. We hope you'll challenge it soon. Reynolds Metals Company, P. O. Box 1800-EA, Louisville 1, Kentucky.

Reynolds Aluminum Products for the Electrical Industry

ACSR Lighter by 20% than cable made of the next most common material: permits longer spans, reduces handling costs, cuts job completion time, costs less per pound, gives more conductivity per dollar.



COVERED CONDUCTOR Neoprene covered aluminum single conductor and self-supporting duplex, triplex and quadruplex cable: saves on material and labor costs, assures long life in secondary distribution lines and service drops.



RABC (Reynolds Aluminum Bus Conductor) Brings new design advantages to the industry: provides greater strength, has high conductivity, offers new flexibility in shapes, gives unlimited freedom on intermediate sizes.



See "Mister Peepers", starring Wally Cox, Sundays on NBC-TV

REYNOLDS ALUMINUM

MODERN DESIGN HAS ALUMINUM IN MIND

30-DAY MONEY BACK GUARANTEE

*If this is not the most
satisfactory desk pen
you have ever used*

MODEL 444 **DESK SET**
with the PEN that FILLS ITSELF



MODEL 444

For more information
about this base,
see The Lancaster Lens Co.
advertisement on pg. 140.

We're so sure you'll like this Esterbrook Desk Set with its self-filling pen . . . so sure you'll like the easy, effortless writing of this pen with the right point for the way you write . . . that we're making this unusual offer.

Buy one of these amazing Esterbrook Desk Sets from your regular dealer.

Fit the self-filling pen with the Esterbrook Point that writes exactly right for you.

Use the pen for 30 days on your own desk. If you aren't completely satisfied with it in every respect . . . return it to your dealer, along with your invoice, for a complete refund of your money.

Esterbrook® **DESK PEN SETS**

THE ESTERBROOK PEN COMPANY, CAMDEN 1, NEW JERSEY

The Esterbrook Pen Company of Canada, Ltd., 92 Fleet Street, East, Toronto, Ontario

The PEN that FILLS ITSELF

New type ink-fountain in base fills pen automatically—keeps pen ready to write up to a full page or more every time you take it from socket.

Choose
the right point for the way
you write... by number

Finger grip
never touches ink. No chance
for ink to touch you.

Point instantly
interchangeable and renewable.
More than 30
point styles.

MODEL
444

Fountain-base "ink-locked"
against accidental spillage.
Only the pen unlocks the ink.

Fountain-base holds
40 times more ink than
ordinary fountain pen. Won't leak.
Won't flood. Easy to clean
as a saucer.



2668 *General writing*

2314F *Fine Stub*

9550 *Extra Fine*

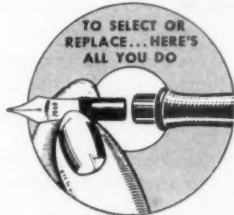
2284 *Signature Stub*

9556 *Fine writing*

9668 *General writing*

2314B *Broad Stub*

9460 *Carbon Copies*
(Also public counter use)



Esterbrook®

DESK
PEN
SETS

THE ESTERBROOK PEN COMPANY, CAMDEN 1, NEW JERSEY

The Esterbrook Pen Company of Canada, Ltd., 92 Fleet Street, East, Toronto, Ontario

half of the year, is not borrowing business from the second half. If this should turn out to be so, media would be heavy losers. With Chrysler Corp. attempting to make a comeback and with auto sales generally high, magazines, newspaper, and TV schedules are heavier than ever before.

III. National vs. Local

If you take a close look at the figures for last year you can see that under the surface are some important changes going on in the business. These trends tie in with the shift toward television; they probably will continue in the next few years.

One of the most significant, though little noted, is the swing toward national and away from local advertising.

Back in the mid-1930s, national and local advertising split total advertising revenue almost exactly 50-50. By 1949, however, the ratio favored national advertising by 57%. Last year, national advertising accounted for almost 60% of all advertising volume.

• **New Order**—There are various explanations for this important shift. One of them is offered by Arno Johnson, vice-president of the country's biggest ad agency, J. Walter Thompson Co. Johnson thinks the dropping importance of local advertising is in part due to the fact that the department store, one of the major factors in local advertising, has slipped as a major merchandising force.

Victor M. Ratner, vice-president of McCann-Erickson, stresses another point. He thinks that more and more the burden of selling is passing from the merchant to the manufacturer.

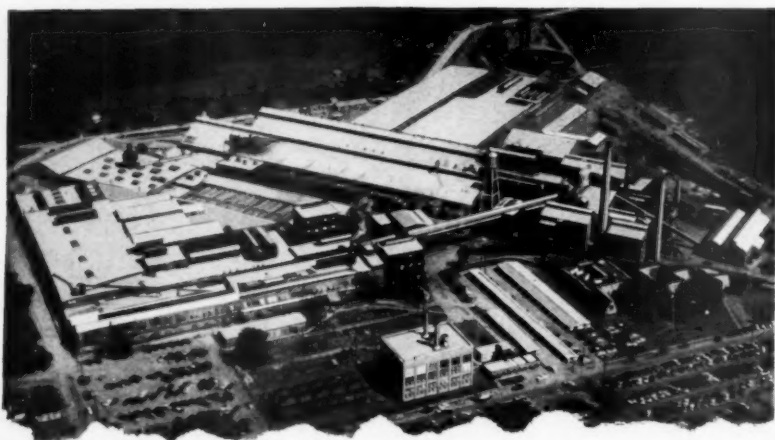
"Advertising," he says, "is becoming more a primary partner in marketing than it once was. The dealer's function is narrowing—he doesn't sell so much as serve the public. The selling job has shifted to the manufacturer."

This, of course, means an increasingly important role for television.

• **The Winner**—Television has become the nation's No. 1 mass-entertainment medium—an eventuality overlooked by the people who thought that TV's effect on other media would be no worse than that of radio. But radio's impact on people was never in a class with that of television. As an entertainment medium, TV in a few short years helped to change over the movie industry.

Increasingly, advertisers are going to look on TV as their "first-call medium," says one adman. In other words, big advertisers will figure out what they want to spend on television, then allo-

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THE ESTERBROOK
PEN COMPANY



"We Found Abundant Raw Materials Here"



JOHN M. COATES
President

MASONITE CORPORATION

"The flourishing growth of Masonite Corporation is due in no small part to the fact that its original manufacturing operations were located in the State of Mississippi. Our Laurel plant started up in 1926 with little more than just an idea of how to make a new form of board from sawmill waste. It has grown to be the largest hardboard plant in the world. One of the reasons is that Mississippi is blessed with a climate in which forest products grow rapidly. With the diminution of sawmill waste Masonite found that Mississippi's fast growing trees could keep it supplied with raw materials and made possible the vast expansion at this location.

"Mississippi's governmental departments were very helpful in the establishment of reforestation programs which are carried on by wood consuming industries. Such programs have provided another annual crop for the state's farmers as well as a perpetual supply of raw materials for industry. This development is one of the interesting phases in the progressive strides being made in Mississippi which benefit both agriculture and industry."

Many other nationally known industries have reaped similar benefits under Mississippi's progressive government. This state also offers a large reservoir of intelligent, cooperative labor; expanding markets; abundant fuel and electricity.

In addition, it offers a unique BAWI (balance agriculture with industry) plan under which political subdivisions may vote bonds to finance the purchase of sites and the construction of buildings for lease to new or expanding industries.

We invite your further investigation of Mississippi and its BAWI plan. Your request for information will be handled promptly and treated with confidence.



MISSISSIPPI

AGRICULTURAL AND INDUSTRIAL BOARD

State Office Building • Jackson, Mississippi

"... before TV made its mark, magazines were well ahead as No. 1 medium for national advertising . . ."

STORY starts on p. 62

cate what's left over among the other national media.

• **Far Reaching**—How far television has gone along the road to becoming the No. 1 national advertising medium can be seen from the charts on page 62, prepared from the McCann-Erickson and Printer's Ink series of figures on national advertising. Back in 1948, before TV had made its mark, magazines were well ahead as No. 1 medium for national advertising, with 18.5% of the total national advertising dollar volume. Newspapers were second (14.2%) and radio third (13.9%).

Last year, while magazines and newspapers were still first and second, they were bunched closely with television in the race for top spot. Radio, meanwhile, had dropped way back to about 5% of the market.

It looks as though these trends will go on. Newspapers will probably hold their own, mainly because of their flexibility—an advertiser can change his schedule quickly if need be—and because newspapers provide selective local coverage.

Magazines probably will continue to take a beating. Not all magazines, of course. A lot of publications, particularly the ones appealing to special interests, will undoubtedly find prosperous niches for themselves.

• **Vulnerable**—The vulnerable publications are the second-rankers in the general entertainment field, the one most directly competitive with TV. There is some thinking along Madison Avenue that the biggest magazines, the ones that can deliver to huge mass audiences, will continue to do well in the age of mechanized selling, but that the second-rung of competition is going to find the going rough.

Some observers think that in a general way TV will have the same effect on magazines that it had on motion pictures. Television whittled away the movie audience, with the result that Hollywood ended by cutting back its product.

Today, Hollywood makes fewer pictures for this smaller audience. A lot of the class B product is gone. In other words, the industry is making fewer, more expensive films.

Something like this may happen in the magazine field. The smaller special interest publications will get along all right; so will the biggest magazines. The ones in between will probably get the squeeze.



The El Paso Natural Gas Co., El Paso, Texas. Carroll and Daeuble, Architects

Mills Movable Walls keep office layouts permanently efficient with *Space Control*



A TYPICAL EXECUTIVE OFFICE—showing some of the more than 5,000 lineal feet of Mills continuous convector enclosures and custom bookcases used throughout the El Paso Natural Gas Co. building.

Write for the informative 68-page Mills Walls Catalog—it's a practical workbook on Space Control.

The El Paso Natural Gas Company promotes efficiency and morale in its new headquarters building by providing its employees with pleasant, business-like surroundings and well designed offices. *Space Control*, assuring permanent efficiency of office layouts, has been achieved through the use of more than two miles of Mills Movable Walls to form these modern business interiors. Whenever changes in space requirements occur these walls can be rearranged to fit new layouts quickly, easily and at very low cost—usually overnight or during a week end. Fully insulated and soundproofed, Mills Walls are unexcelled in architectural design and structural stability—and they require no maintenance whatever, except occasional washing to keep them looking always their efficient best.

THE MILLS COMPANY, 935 Wayside Road, Cleveland 10, Ohio

MILLS  METAL WALLS



in Cincinnati
your best bet is
the **NETHERLAND**
or **TERRACE**
PLAZA HOTELS

You'll feel "at home" with the smooth service, the modern air conditioned accommodations and the excellent food.

"DRIVE-IN" REGISTRATION at the Netherland Plaza. Register in our parking garage and go directly to your room.

John G. Horsman, Gen. Mgr.
Owned and Operated by
Thos. Emery's Sons, Inc.

ROLL and WRAP FLEXIBLE MATERIALS *automatically*

You can save time and labor with a Dyken machine if you roll lengths of

SCREENING • LAMINATED PAPER
TEXTILES • ROOFING • RUGS
• WALLPAPER • CARPETING •
PLASTIC • RUBBER • LEATHER
FELT • LINOLEUM • CANVAS
CORK • PADDING • OILCLOTH
BURLAP • INSULATION

and other pliable materials!

NOW YOU CAN roll up more lengths per hour . . . make little rolls out of big ones. Rolling and paperwrapping in one speedy operation. DYKEN Automatic Machines (fully patented) handle most widths and lengths. Push-button operation permits using unskilled help. Tight, neat rolls require no center core or pole. Save time, labor, shipping and storage space.

WRITE TODAY FOR COMPLETE DETAILS—Describe your problem fully for recommendations by our engineers. No obligation.

DYKEN

MFG. CO., Inc.
732 Indiana Ave.
West Bend, Wis.

A Test for Ambiguous Law

The government's antimerger proceedings against General Shoe Corp. may help to spell out the 1950 statute aimed at "monopolistic tendencies."

The government's new antimerger case, against General Shoe Corp., points up the hard reality—if more evidence is needed—that the 1950 amendment to the Clayton Act is tough.

The government charges that a series of 18 acquisitions by General over the past five years—the latest being the purchase of Delman, Inc., last December—violated the 1950 law, and that the cumulative effect of the acquisitions may substantially lessen competition, or tend to create a monopoly. It charges that the 250-odd new outlets gained by the acquisitions sold some \$34-million worth of shoes in the year immediately prior to acquisition, did a total business of some \$67-million.

This is the second case filed by Justice Dept. under the new law (BW—Mar 26'55,p27). It comes hard on the heels of the first, filed against Schenley Industries about a month ago (BW—Feb 19'55,p58). The Federal Trade Commission currently has four cases pending that involve charges of violating the 1950 law. Both FTC and Justice give promise of more cases to come.

The 1950 law put this effective tooth into the Clayton Act: It extended the antimerger section to include mergers by purchase of assets; before then, only mergers by stock purchase were subject to the law. Thus, any merger may now be suspect.

• **Ambiguity Remains**—The 1950 amendment failed, though, to clarify an ambiguity of the original Clayton Act. According to both the original act and the amendment, the government doesn't have to show that an actual monopoly exists or results from a merger. All it needs to show is that a merger "may . . . substantially lessen competition, or tend to create a monopoly."

No court has yet provided a satisfactory yardstick by which to measure the meaning of this phrase. The General Shoe case should help answer these questions: What must you do to "substantially lessen competition"? How much of a "tendency" toward monopoly must you prove to satisfy the courts?

• **Halting a Tendency**—Atty. Gen. Herbert Brownell, Jr., put the government's view this way in filing the case. One purpose of the 1950 law, he said, "is to permit intervention in a series of acquisitions where the effect may be

a significant reduction in the vigor of competition, even though this . . . may not . . . amount to a combination in restraint of trade or create a monopoly." Antitrust chief Stanley N. Barnes explained that the case is part of his program for "halting monopolistic tendencies well before they have produced effects which would justify a Sherman Act proceeding"—in other words, before monopoly is an accomplished fact.

Justice does not charge that General Shoe has a monopoly of either manufacture or retailing of shoes. It says only that the company operates 30 manufacturing plants in 12 different states, owns or leases 500 retail stores, and is one of the five leading shoe manufacturers in the country.

Justice would, in fact, have hard going to prove that General has anything like a monopoly of the industry. General Shoe, in immediate response to the complaint, said it makes less than 5% of the total shoes manufactured in this country. The government's figure for General's shoe output in fiscal 1954 was 25-million pairs. This is against a trade estimate of the industry total of some 524-million pairs. Neither do General's sales through its own retail stores—put at some \$48-million in the complaint—stack up very large against the official figure of some \$1.7-billion in retail sales for the industry. Furthermore, total dollar value of General's shoe sales of \$135-million (including wholesale sales) are nowhere near the \$246.8-million sales figure of International Shoe Co., the No. 1 shoe concern.

Obviously the reason for the government's case lies in the aggressive growth of General. Other big shoe manufacturers or integrated companies have also acquired new outlets and new shoe manufacturers in recent years (BW—Jul 7'51,p116). Probably none of them, though, can top General Shoe's rate of expansion.

• **Industry's Views**—The shoe industry—at least the big companies—repudiate any idea of any monopolistic trend in the business. General cited the existence of some 1,000 shoe manufacturers as evidence that there is plenty of competition. Even according to the government's figures, some \$87-million of General's total sales were wholesale. A General Shoe official says the bulk of its shoes go through some 15,000 independent retailers. International Shoe, for its part, says that less than

*if your plant employs 100 people
it's worth \$590,000 a year to some town!*



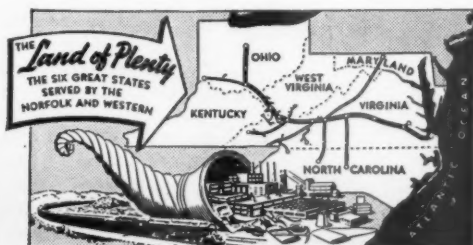
The average new factory employing 100 people brings its community \$590,000 a year in capital investments, \$270,000 more in bank deposits, 174 new jobs, \$360,000 more in annual retail sales, and adds 296 more people who will vote, pay taxes, support churches and charities and make the community grow.*

In big cities, these figures can easily be overlooked, but in the smaller towns, these assets are *big, visible and really appreciated*. That's why—**SMALL TOWNS HAVE BIG HEARTS FOR INDUSTRY!**

There are *many* clean, progressive small communities in The Land of Plenty where people roll out a big welcome carpet for small plants. These communities offer important advantages for efficient manufacture and distribution—**PLUS AN APPRECIATIVE AND COOPERATIVE PUBLIC**. Let our plant location specialists tell you about ideal plant sites in such communities . . . in confidence and without obligation. *Write, Wire or Call —*

INDUSTRIAL AND AGRICULTURAL DEPT.,
Drawer B-474 (Phone 4-1481, Ext. 474)
Norfolk and Western Railway
ROANOKE, VIRGINIA

*Statistics based on reports of United States Chamber of Commerce.



Norfolk and Western
RAILWAY

Your traffic manager is a transportation specialist. Transportation is a major factor in good plant location. Consult your traffic manager while you're studying plant sites.

Where there's a picture ... you see **DUREZ**



with some properties your products might use

The remarkable combination of properties that has made Durez almost a synonym for plastics in photographic equipment may help you improve whatever you make—or plan to make.

You see camera bodies and other parts molded of a Durez phenolic because it is strong, rigid, stable, and photographically inert. It often reduces assembly and finishing costs... looks "like new" after years in the hands of camera artists.

In viewers the same properties win preference for Durez. In film loaders its dimensional stability permits safe

operation in daylight. In flash holders its corrosion resistance is the first criterion.

When it comes to your product, you can pick Durez molding compounds for individual or balanced properties that lend sales appeal... or improved performance qualities. We've developed scores of them for innumerable applications. Why not talk it over with your molder—or write us?

Durez Plastics & Chemicals, Inc., 4004 Walck Road, North Tonawanda, N. Y.

Export Agents: Omni Products Corporation, 464 Fourth Avenue, New York 16, N. Y.



MOLDING COMPOUNDS. Structural, electrical, and chemical properties in many combinations.

**PHENOLIC
PLASTICS**
for the new
Competitive Era



RESINS FOR INDUSTRY. Bonding, casting, coating, laminating, impregnating, and shell molding.

5% of its sales go through retail outlets in which the company has any kind of investment.

It is likely that the protests of the smaller concerns spurred action in this case. Last fall, the independents set up their own association, Independent Shoe Men, to counteract the trend (BW—Nov. 6 '54, p. 56). The smaller concerns welcome the government's case. "It may set off a chain reaction to stop some of this merger mania by the big fellows," one said.

MARKETING BRIEFS

Downtown store dies: Another venerable retailer, Hearn's, on New York's 14th Street, closed its doors this week. This follows by a few months Ohrbach's move uptown (BW—Sep. 18 '54, p. 96), and the closing of John Wanamaker's big store nearby (BW—Dec. 18 '54, p. 116). Hereafter, Hearn's will concentrate on its suburban branches (it now has two); headquarters will move to its branch in the Bronx. This leaves S. Klein on the Square in a dominant position on the street. Klein's reports that its sales—in dollars and units—increased after Ohrbach's and Wanamaker pulled out.

Cokes in tins are on the way—at least for GIs in the Far East. Coca-Cola, through a deal with American Can Co., will sell some canned Cokes through its Coca-Cola Export Corp., for use in that area, where, the company says, "unusual production and marketing conditions indicate that the canned product may have unique advantages."

Big sales gains have followed RCA Victor's price cuts on its records, the company reports (BW—Apr. 2 '55, p. 44). For the first quarter of 1955, dollar sales of all records affected by the cuts rose 30% over sales of the preceding quarter. Since the earlier quarter included the Christmas buying season, Victor believes this proves its new pricing system is a step in the right direction.

Soup and poultry mix: Campbell Soup Co. is taking over C. A. Swanson & Sons (poultry products, frozen dinners, other frozen specialties) through an exchange of stock.

New brand—A&P's own—may enter the frozen orange concentrate field. The food giant has talked to packers, won't say how far along its plans are.

More Safeway stores for Canada: The big food chain, already in western Canada, has bought a 75-acre site at Cooksville, Ont. It will build a distribution center to handle "a goodly number" of new stores in the East.

WHY ARE AFIA'S WORLD-WIDE FACILITIES important to your business abroad?

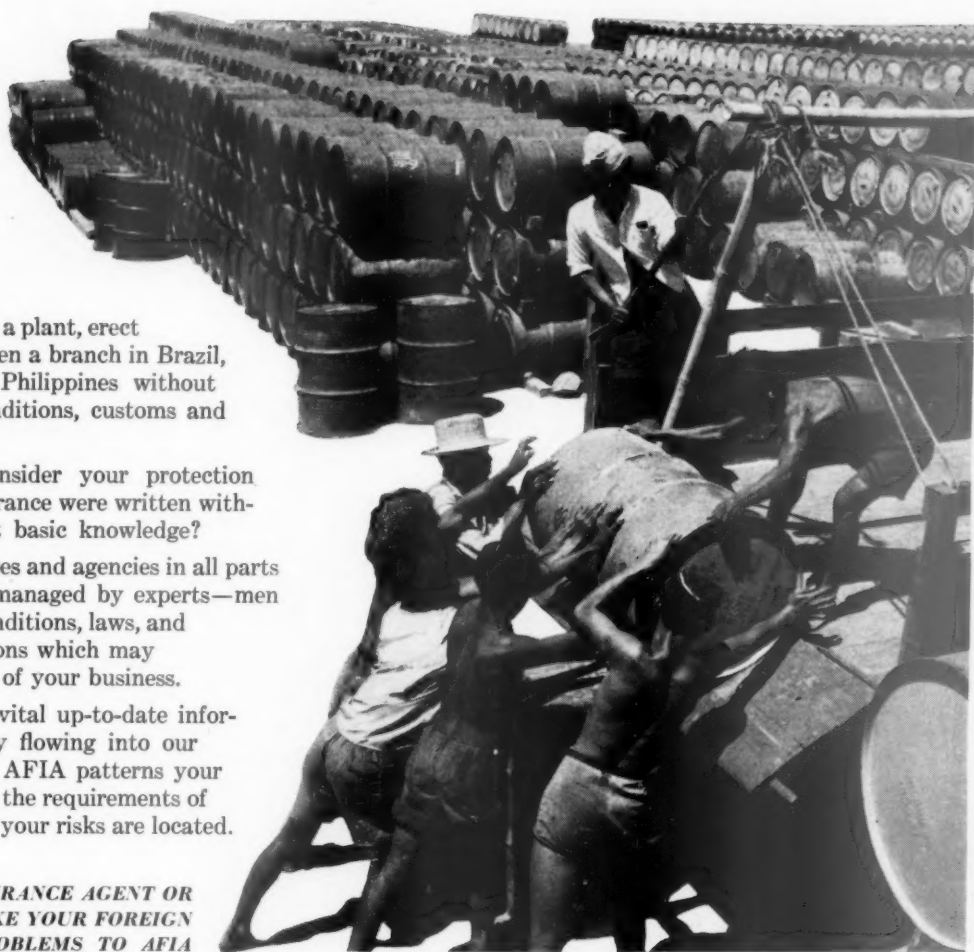
Would you equip a plant, erect a warehouse or open a branch in Brazil, Pakistan or the Philippines without knowing local conditions, customs and prevailing laws?

Would you consider your protection sound if your insurance were written without applying that basic knowledge?

AFIA's 500 offices and agencies in all parts of the world are managed by experts—men who know local conditions, laws, and insurance regulations which may affect the security of your business.

It is upon this vital up-to-date information continually flowing into our headquarters that AFIA patterns your protection to meet the requirements of the country where your risks are located.

**ASK YOUR INSURANCE AGENT OR
BROKER TO TAKE YOUR FOREIGN
INSURANCE PROBLEMS TO AFIA**



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LOS ANGELES OFFICE . Pacific Mutual Building, 523 W. 6th Street, Los Angeles 14, California
SAN FRANCISCO OFFICE 98 Post Street, San Francisco 4, California
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**An association of 24 American capital stock fire, marine and casualty
insurance companies providing insurance protection in foreign lands**

RESEARCH

Convair Stages a Coup

● Naming of nuclear physicist Critchfield to head its scientific research marks a milestone.

● It puts an aircraft company into basic research for first time, takes Convair into unexplored fields.

● The big-name scientific advisory group he heads gives Convair a top spot in country's industrial research.

This week John Jay Hopkins, chairman and president of General Dynamics Corp., is announcing the appointment of Dr. Charles L. Critchfield as Convair Div.'s director of scientific research. Dr. Critchfield is one of the nation's foremost physicists, noted for his work on nuclear reactions and forces, nuclear theory, and stellar energy.

The fact that a scientist of such stature is leaving his ivory tower at the University of Minnesota at the end of the school year and moving into industry is newsworthy, though not unique. But when you add up this particular man and this particular company and this particular industry, you get a highly significant total. Convair, it now appears, has worked one of the neatest scientific coups in recent years.

• **Leading Up**—It all started a couple of weeks ago. On Mar. 14, Hopkins announced the appointment as assistant vice-president for nuclear planning of Dr. Frederic de Hoffmann, a young, Austrian-born atomic scientist who had served for several years as deputy to Dr. Edward Teller at Los Alamos Scientific Laboratory. He was to work directly with Convair Pres. Joseph T. McNamey.

Then on Mar. 16, Convair announced the appointment of 14 scientific consultants (Dr. Critchfield was one) (BW-Mar.26'55,p174). The list read like a Who's Who of atomic weapons experts.

On Mar. 21 the company revealed plans for a \$34-million wind tunnel to test models of aircraft and missiles at speeds up to 4½ times that of sound.

This week's change in status for Dr. Critchfield reduces the number of consultants to 13. But Convair now hints strongly that further announcements are to come; the scientific advisory panel may eventually number 22.

• **Its Own Parade**—When the announcements started flooding out of Convair headquarters in San Diego, the aviation industry was impressed by

the roundup of talent. But observers felt Convair was merely doing something it should have done long ago. Rumor had it that Convair's missile program had been severely criticized by the Air Force for "lack of sufficient talent versed in nuclear weapons, high-speed aerodynamics, high-altitude physics, and missile-guidance problems."

Dr. Critchfield's appointment puts things in a different light. This move can't be written off as just some fancy footwork to get back in step with the missile program. Convair, it appears, is starting its own parade. This is an expedition into the realm of basic science (not pristine pure science, but almost) and as such it's an important milestone in aviation history.

• **Unexplored Territory**—For 40 years, the aircraft industry has had little need to do any basic research on its own. Practically everything that was needed in the way of theory or fundamental data was readily available in learned journals or through the National Advisory Committee for Aeronautics. The industry's forte was applied research. And it did a superb job.

When airplanes started crashing through the sound barrier a few years ago, the engineers got into an area where basic information was scarce. But they kept on going. Now they are working in areas where no one has even probed before. Convair, of course, refuses to divulge exactly what its problems are—for security reasons. But there are clues:

• When the possibility of nuclear-powered aircraft arose several years ago, Convair was awarded the first Air-Force study contract for the "atomic airplane." The only thing to break through the veils of secrecy on this project is a portable reactor recently revealed at the Fort Worth (Tex.) plant (BW-Mar.19'55,p96).

• Lewis L. Strauss, chairman of the Atomic Energy Commission, announced this week that AEC had approved a study of reactor technology

by General Dynamics under the industrial participation program. The company will look into such nuclear power equipment as small power reactors and specially designed components of reactor systems, with a view to manufacturing such products.

• Convair is a leading producer of guided missiles. Trevor Gardner, Air Force assistant secretary for research and development, disclosed last week that there exists an IBM (Intercontinental Ballistics Missile), and this is being developed by Convair.

• **Spectacular**—Recent stories in the aviation trade press hint at a spectacular future for intercontinental ballistics techniques in producing an earth satellite vehicle or space-traveler.

Trajectory calculations for a 5,000-mile IBM show a required speed at burnout of about 22,000 ft. per sec. Burning time would be about 12 min.; during this time the rocket would climb out of the atmosphere and turn to an angle of about 26 degrees with the horizon. It would coast to an altitude near 800 miles (almost four times as high as anything has ever gone before), before plunging, tail down at first, toward the target. Total flight time would be about an hour.

Missile technology has reached a point where answers to the problems of hypersonic flow, thermal shock, high-temperature materials, accurate guidance techniques, high-energy propellants, and extremely large rocket motors can be seen—although faintly—on the horizon. The problems are still tremendous.

I. The Coup

The complexity of the problems Convair faces is probably the main reason why the company was able to attract its new braintrust.

Nearly all of these scientists have been through the mill. They have been contacted by one company or another that had no problems worthy of their brainpower but did have designs on the prestige of their name.

Convair feels it is a tribute to its engineers that it has problems on hand that interest these scientific moguls. The scientists, when Convair first started talking business, were blunt about their misgivings. One said: "I'm through with prostituting myself." But after he had heard the problems—problems which he interpreted as a worthy challenge—he stayed.

Thomas G. Lanphier, Jr., Convair vice-president for long-range planning, points out that even if you could hire this type of scientist without having

Every so often it pays to review these

BASIC PRINCIPLES OF TRUCK TIRE ECONOMY!

1. Avoid costly "bargains"

You never know what a truck tire actually costs you until it is finally removed from service. The true measure of any truck tire's value is not its price, but the *mileage* it delivers per dollar. Yet time and again truck operators yield to the temptation of buying tires at discount, cut-rate or bargain prices—only to discover that they end up paying far more for the actual service delivered.

2. Look for a name you can rely on

It's especially true in tires that *name buying is wise buying*. Just as in your own business, a good reputation comes of consistent quality and service over the years. For example, Kelly-Springfield has been a leader in the building of quality tires for more than 60 years. The Kelly name on a tire is your assurance that you are getting quality materials, quality workmanship in every last detail.

3. Buy "job-designed" tires

Too many truck operators buy tires that meet *some* of their requirements, but not *all*—and lose hundreds of dollars per year as a result. When selecting tires, consider *all* the conditions of your particular type of

operation—loads, speeds, length of hauls, etc.—and get tires that meet these requirements in every respect.

For instance, some Kelly tires are built for light delivery service calling for short runs, frequent stops and starts . . . others for long, hot, high-speed highway runs . . . others for on-and-off-the-highway service. Each one is "job-designed"—in materials, in construction, in design—to do a *specific* job under *specific* conditions.

4. Keep recaps in mind

Here again, many truck owners miss out on an opportunity for economy when they buy tires on initial price alone. By paying only about one-eighth more for Kelly Nylons, it is possible to get as much as 200% more total mileage through recaps!

The new Kelly nylon cord truck tires are wonderful examples of this sort of long-run economy. By using nylon cord that's specially pre-stretched and heat-stabilized for maximum strength and resilience—and by putting this cord in a tire body that's tougher, far more resistant to bruises and impact blowouts—Kelly builds tires that not only give greater original tread mileage but take recap after recap. Final-cost-per-mile figures are almost unbelievably low.

5. Control tire wear

No matter how knowingly you buy tires—and no matter how well those tires are built—it's hard to get the full potential mileage out of them unless an inspection and maintenance program is faithfully followed. It pays! It helps keep treads from wearing where they shouldn't . . . helps keep payloads running on schedule . . . helps eliminate costly losses of time, money and equipment caused by premature tire failure. Kelly can supply you with valuable information on truck tire maintenance at no cost or obligation to you.

6. Let your own records decide

Nothing is more convincing than making your own cost-per-tire-mile comparisons and seeing how your own records stack up against those of other companies similar to yours. This actual on-the-job performance is the best possible evidence on which to base future purchases and make future savings. If you'd like to know how Kelly Tires have made out on trucks operated under conditions similar to yours, just ask your Kelly Dealer or write directly to: The Kelly-Springfield Tire Company, Cumberland, Maryland.



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his type of problem, you couldn't keep him. "They fade away if you don't have the kind of work they are fitted to do."

• **Select Club**—Convair realized, too, that you can't just pull a scientist out of his surroundings and his laboratory and plop him into a new and strange environment. If you remove him from the rarefied environment on which he feeds, you kill the very thing you hope to get.

This rarefied atmosphere has not existed in aircraft research departments of the past. The places in industry where it does exist can probably be counted on your fingers. The brains that inhabit these places are the elite.

• **New Chapter**—The significance of Convair's move is that it is beginning to set up a San Diego chapter of this select club. While the big names are vital for current problems, even more important are the young men who will keep the chapter in the running. Convair is interested in attracting the bright young men of the scientific world.

The big names help to do that. As one scientific administrator is fond of remarking: "Distinguished scientists are like beautiful women; the young men follow them around."

What Convair is trying to do, it now appears, is build a reputation as a place with research problems worthy of the talents of the cream of the crop.

This new status for Convair does not mean that the company has been backward in research as the term is generally used. Quite the contrary. It ranks high in its industry and in the country in applied research and development. But scientists draw a very sharp line between "research" and "basic research" of the type the company is now getting into.

• **Record**—Convair employs about 21,500 people in San Diego. Roughly 4,000 are in the Engineering Dept. and about half of these are engineers. By way of comparison, there are hardly more than 250 companies in the whole country employing more than 100 engineers or research scientists full time on research projects.

II. The Chapter

Once you see what Convair is up to, the next question is how does it expect to use its braintrust. At the moment there is no physical plant with the "rarefied atmosphere" that is called for.

• **Connections**—Dr. Critchfield and Dr. de Hoffmann provide the key pieces in the puzzle. They're the catalysts, the scientists who can put the other scientists to work and talk their language. Both men provide Convair with associations in the nuclear world, government, and academic science that it hasn't had before.

In the last 20 years, Dr. Critchfield has been associated with these organizations: U.S. Bureau of Standards, George Washington University, University of Rochester, Princeton Institute for Advanced Study, Harvard University, Carnegie Institution of Washington, Manhattan Projects, Los Alamos Scientific Laboratory, Office of Scientific Research & Development, and University of Minnesota. There's a lot of background for a man who will be only 45 on June 7.

• **Organization**—Dr. Critchfield, it appears, will be the "inside man," ranking on the same level as Convair's engineering and planning vice-president. He will help plan the company's growth and outline the needs for the physical plant to be built for basic research. Dr. de Hoffmann will be the "outside man," circulating freely with top scientific brains at home and abroad. In the company, he will report to Lanphier, the vice-president for planning.

The consultants will be paid an annual fee, plus per diem for actual days worked on Convair problems. Days worked may vary from 10 days a year to a month or more at a clip.

• **Budget**—As regards money, Chmn. Hopkins has made it clear that General Dynamics will do whatever it can to compete in the development of commercial uses of the atom. The amount of money isn't budgetable at this time. Lanphier says that the first job will be to determine "what fields it will be intelligent for us to get into. Only then can there be a determination of the dollars to be spent."

The board of directors has approved \$64-million for scientific expenditures in the next year and a half. This, of course, goes beyond the basic research program. It includes, for example, the \$34-million wind tunnel. But even so, the company will be spending several hundred thousand dollars on basic research in the 18 months—a sizable amount for a new chapter.

Hopkins has said, "We'll spend more money where these scientific people think it makes sense." But he has some atomic ideas of his own. Here are some excerpts from a recent discussion.

• "As to aircraft, we agree with Gen. Twining's (USAF chief of staff) recent prediction that nuclear propulsion will be a reality in the skies within the next decade, and has possibilities for a much enhanced carrying capacity and almost unlimited range."

• "As to our economy, the implications of nuclear power are enormous. Not only will we be conserving our fossil fuels for the specialized applications which they alone can fulfill, but we may well modify, or completely change, transportation patterns because of the tremendous energy potential of atomic fuel per unit of volume."

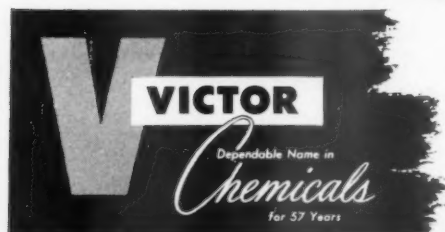
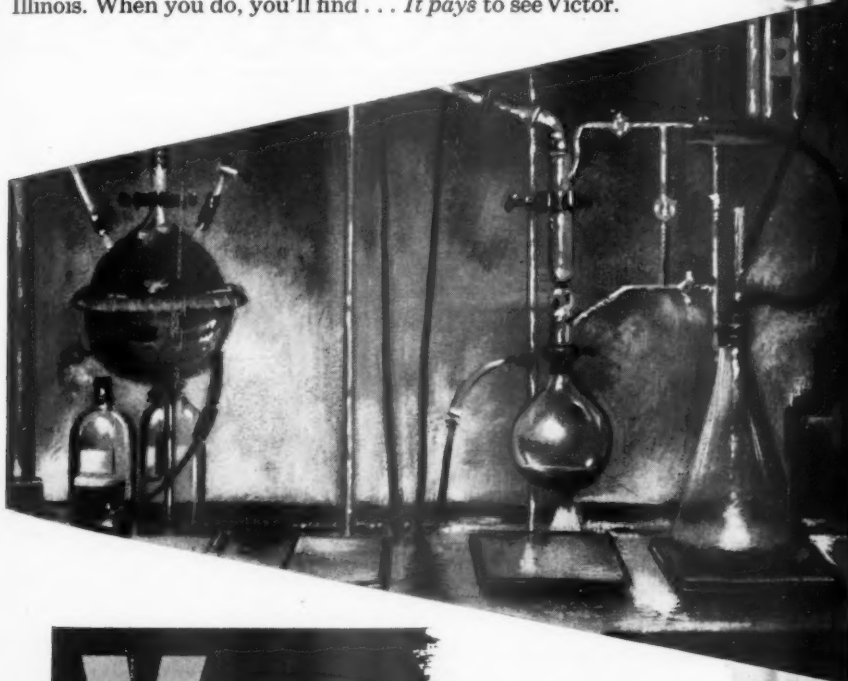
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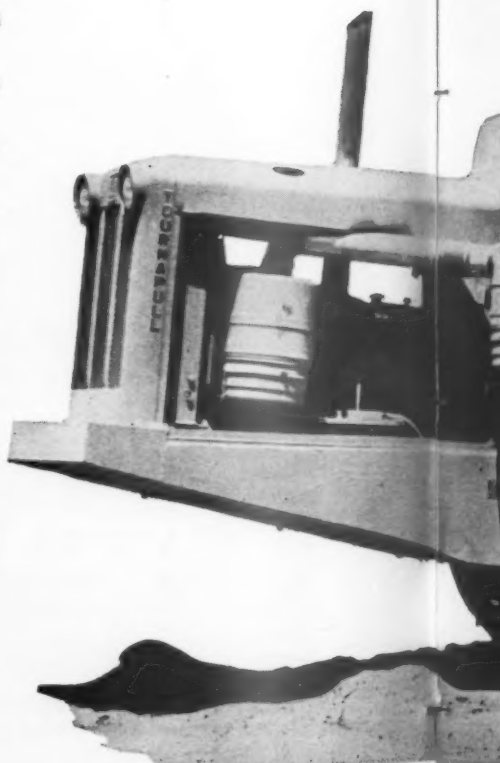
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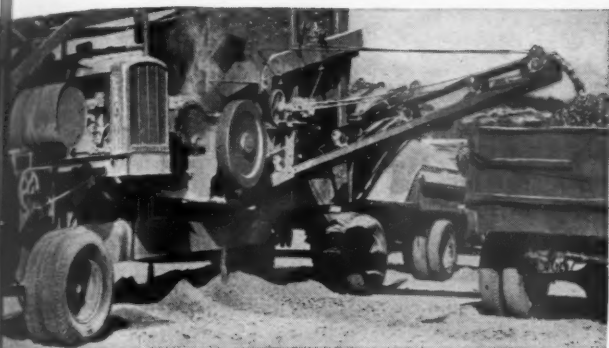


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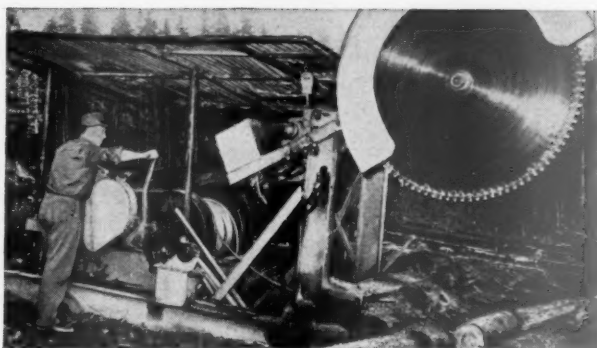
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This tug's owners *doubled* its power when they switched from a 4-cycle Diesel to a smaller, lighter, more compact GM 2-cycle Diesel. Now the boat sits 6" higher in the water—handles heavy tows *faster* even against hard-running tides.



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Flying abrasive dust can quickly ruin an engine but Contractor Link L. Colvin ran his GM Diesel-powered LeTourneau-Westinghouse Tournapulls in dust clouds for two years—never spent a dime for engine repairs. In all kinds of earth-moving machines GM Diesels last longer, work faster, cost less to run and maintain.



SPECIAL REPORT:

THE GUARANTEED ANNUAL WAGE

- **How determined are the unions in pushing their guaranteed employment plans? (Page 84)**
- **How does management really feel about GAW? (Page 92)**
- **Is GAW financially feasible even if management accepts it in principle? (Page 102)**
- **How drastically would GAW change industry's patterns of production? Of marketing? (Page 108)**
- **What effect would it have on the nation's economy as a whole? (Page 106)**

GAW:



The Showdown—the Meaning

TONS of newsprint have been devoted in recent months to the questions at left. Yet the guaranteed annual wage remains, in Churchillian language, "a riddle wrapped in a mystery inside an enigma."

From the most extreme opponents, you hear that GAW would end the free enterprise system, that U.S. industry could not possibly bear up under its crushing weight, that union leaders would encroach into the councils of management, that technological progress and economic expansion would cease, that the U.S. would be taking a giant step toward (1) socialism or (2) feudalism.

From the most extreme advocates, you hear that GAW will cure the chief remaining source of economic misery in a capitalistic society: the unemployment that's caused by fluctuations in demand and production. You hear hymns of thanksgiving that industry will be saved

from its own folly in allowing these fluctuations to exist, and you hear beatitudes about a dawning age when every wage-earner will overflow with purchasing power.

• **Hard to Define**—Caught between the two choruses, listeners often wonder if everyone is talking about the same thing. And that is probably the first point that must be kept in mind about GAW—it is a different thing to different people. There's wide disagreement even on a definition of GAW. Some regard GAW as a fringe benefit, by itself; some as a supplement to public unemployment compensation programs; some even as a replacement for such programs.

Insofar as the union has disclosed its proposals (table, page 90-91), it means this to the United Auto Workers:

• For all workers, a guarantee of 40 straight-time hours of work or pay for every week when the worker, regardless of his seniority or lack of it,

was not notified in advance that he would be laid off for the full week.

• For workers with two years of seniority, a guarantee of pay for each full week of layoff, up to 52 weeks, "in amounts sufficient to enable him to maintain the same living standards as when fully employed." This means supplements to any unemployment compensation payments to which the worker may be entitled.

• For workers on the payroll more than 90 days but less than two years—the group that would be most affected by layoffs—a similar guarantee of one week's earnings for each two weeks worked.

UAW's announcement of aims leaves much to be bargained over at the meetings that are just beginning. It is already evident that disagreement over what GAW is and what it would do to labor and industry is compounded as discussion gets deeper into the details.

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THE GUARANTEED ANNUAL WAGE

Special Report Starts on p. 80

In this Special Report to Executives, the editors of BUSINESS WEEK are trying to bring the issue of GAW into focus, to make sense out of the apparently conflicting arguments, to see clearly the core of what the auto industry and the union are debating at the bargaining tables of Detroit.

Employers thought of it first—now the unions won't let it die

The chief novelty about the guaranteed annual wage in 1955 is the head of steam behind it. The idea itself goes back 60 years.

As early as 1894, the National Wallpaper Co. signed a contract with its union guaranteeing 11 months of work per year. In 1923, the famous—and still operative—Procter & Gamble plan was initiated. The George A. Hormel Co. plan was established in 1931.

In 1934, Wisconsin adopted an unemployment compensation law that gave exemption from the new tax to employers who would guarantee 36 hours of work for 42 weeks—and 96 companies promptly announced GAW programs. The plans were nullified the following year when the federal Social Security Act went into effect.

In 1935, the Nunn-Bush Shoe Co. became the last sizable employer to install a guaranteed annual wage plan, but 189 smaller companies adopted such plans from 1935 to 1946.

• **Drop-Outs**—In 1946, the Labor Dept.'s Bureau of Labor Statistics counted up all the plans that guaranteed employment for three months or longer. It found that 347 plans had been adopted since the 1890s, and that 196 of these were still operating.

The 151 plans that had been dropped included the 96 Wisconsin companies, leaving 55 others that had been abandoned for various reasons. These reasons were generally not related to general business depression but to the special problems of individual industries or employers.

I. Slogans Change Hands

Over the years, thinking about guaranteed wage plans has followed much the same course as that on pensions. Employers introduced the idea in each of these cases; then a revolution in strategy shifted the sponsorship from employers to unions.

• **Welfare Capitalism**—In the 1920s,

employers introduced pensions along with group insurance, company housing, medical dispensaries, and recreational programs—all as part of a concept that social historians called "welfare capitalism."

Employers who adopted this concept either took the tough-minded view that this was the way to have a contented work force, to cut the ground from under troublemakers, or else they professed that employment of labor carries with it a seigniorial obligation to provide workers with something more than wages.

But the unions and other critics of business scornfully called it "paternalism."

• **New Demands**—By the 1930s, though vestiges of these programs remained, the original impulse had grown cold. When a burgeoning union movement, encouraged by the National Industrial Recovery Act and the Wagner Act, attacked employers' welfare plans as cheating workers out of their proper direct wages, few employers put up a strong defense.

As the new unions, trumpeting their demands for wages—and only wages—signed contracts in the basic industries, welfare programs went into the discard, together with the company unions with which many such plans were interwoven.

The pension issue was the first to revive. Abandoned by employers, ignored by unions, it had lain dormant for a decade. It was not revived by employers this time but as a labor demand from unions in search of supplements to the wage gains they were winning each year through collective bargaining.

• **CAW Too**—Though far less widely installed, the guaranteed annual wage has had a similar history. Employers introduced it, and supported legislation to encourage it. The Wisconsin law—the nation's first unemployment compensation statute—was shaped to encourage guaranteed employment largely at the instance of management representatives. Management supported similar provisions in other state unemployment insurance acts in California, Florida, Idaho, Indiana, Minnesota, and Oregon.

Employers also supported the annual wage incentive in the Fair Labor Standards (Wage-Hour) Act that was passed in 1938. Still in effect, this clause authorizes exemption from overtime premium pay—for time worked up to 12 hours in a day or 56 hours in a week—for an employer who contracts with his union to employ specified workers on an annual basis.

Although employers supported this provision in principle, few have taken advantage of it. Apparently the incentive of avoiding overtime pay is not strong enough to induce more than a couple of hundred employers to assume

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The Case of the Concentrated Risk

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Nevertheless, the policyholder hesitated. Could he risk so many of his eggs in the one basket? Could he afford to tie up so much of his working capital as would be involved if the account receivable became an item past due? Previous relations between the two concerns had always been of the best. And yet . . .

The policyholder's Credit Manager recommended consultation with American Credit. After study and discussion, it was decided that increased coverage or extraordinary coverage, as riders to the existing policy, would not meet the situation. What then? A separate single risk policy was issued, granting coverage on this one account up to a total of 150 thousand dollars, with a deductible of only fifteen thousand.

Within the year, the Credit Executive's worst fears were realized. The buyer of the components was unable to move a sufficient quantity of his finished product, through being caught in production difficulties at a seasonal peak. The account was filed as a past-due item, aggregating more than 120 thousand dollars. The policyholder received a loss payment of somewhat more than 105 thousand dollars. Thus, most of the eggs in the basket that proved unsound were not even cracked, and the policyholder continued business without even temporary loss of working capital.

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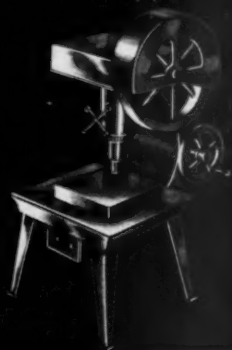
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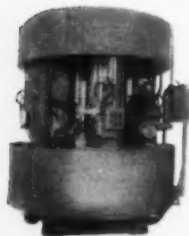
When applied to machine tools, age takes a heavy toll and their value, in terms of production efficiency, decreases rapidly.

It's difficult to determine at just what point the cost of keeping an old machine makes it economically mandatory to buy a new one. It obviously varies with the type of machine, the extent to which it is used, as well as its age.

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IF YOU THREAD OR HOB . . . GET A BETTER JOB WITH A LEES-BRADNER

THE GUARANTEED ANNUAL WAGE

Special Report Starts on p. 80

the risks of guaranteeing annual employment.

• **The Principle**—The practice has lagged, but the theory has often been endorsed. As recently as 1944, the late Wendell Willkie, speaking for what he called "forward-looking conservatism," referred to the guaranteed annual wage as an "aspiration" of labor that should be supported by management.

And in the spring of 1946 Joseph L. Snider, Harvard Business School professor, concluded a study of "Management's Approach to the Annual Wage" as follows: "Management should assume greater responsibility for the job security of workers. Management should not make the prospect of larger profits a requirement for the introduction of a specific wage guarantee. Management should offer the largest wage guarantee possible, short of burdening the company with unreasonable obligations and risks.

"Moreover, management should make serious efforts to increase the stability of business so that it can offer an even larger wage guarantee later. Experience indicates that management may accomplish much in this direction provided it is determined to do so and is ingenious in devising suitable stabilization methods."

But, for the time being, this was just about the end of anything approaching support for GAW from sources that were not either New Deal or labor, or both.

II. Labor's Postwar Strategy

After the war, pensions and guaranteed wages became hot labor issues again. For a while, it was a toss-up as to which would be dominant in post-war collective bargaining.

So seriously was the GAW drive taken that Pres. Roosevelt directed the Advisory Board of the Office of War Mobilization & Reconversion to study "the whole question of guaranteed wage plans."

By the time the Advisory Board's report was ready for transmittal to Pres. Truman in 1947, Philip Murray, then head of both the CIO and the steelworkers' union, had already made the key decision: to go after pensions at full steam, to let GAW simmer on a back burner. But it is significant that when Murray hired a consultant to his union in preparation for 1949 bargaining, he picked Murray Latimer, the man who had been research director for OWMR's study.

A long-time pension expert with



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a railway labor background, Latimer was also, through his OWMR study, the outstanding national authority in the GAW field. Although Philip Murray had decided on pensions as his immediate goal, he was, as a skillful tactician, preparing himself to move into whichever opening presented itself.

• **Sizing Up Opposition**—Murray's decision to concentrate first on getting pension contracts resulted from a cold, analytic calculation of relative resistances. He figured that either pensions or GAW was attainable, but that it would take a strike to get either one. He figured at the time that a strike for pensions would be "easy"—which, to a labor man, means brief and with no effort by management to work its plants during the strike.

In contrast, Murray believed that a strike for GAW would be long and tough. The steel industry had had some experience with pensions—Bethlehem, for example, already had a pension plan that covered one large group of hourly-paid employees. But the industry had no such experience with GAW, nor had there been enough public discussion of GAW to lay the basis for the widespread public support the union felt it needed. Employer resistance would be fortified if the public responded sympathetically to industry charges that GAW was "impractical" or "socialistic" or both.

• **Preparing the Ground**—Murray's choice of the pension issue kept GAW from being a vital issue at the collective bargaining table for seven years. But there has been an ever-increasing volume of oratory and prose on guaranteed annual wages. At first, it was produced by labor men and their allies. Later, after the unions had succeeded in making GAW look like an issue of national importance, management spokesmen and other people with varying degrees of detachment contributed to the discussion—not all on the same side, of course.

• **Lulling**—Each year since 1948, as the unions made public their "demands" preliminary to actual negotiations, GAW was prominently mentioned. And each year, as bargaining got down to serious business, GAW was left under the table. GAW was a propaganda issue and, when it came to final trading on contract terms, the unions were interested in other things.

The result was that many management people concluded that the GAW demand is without substance. Meanwhile, the unions have already

won one victory: GAW has been talked about enough to have lost its fantastic or demonic overtones as far as the man in the street is concerned. The unions still have to overcome the sizable roadblock that Murray took into account in 1948, the dearth of actual GAW experience. But they have, in 1955, brought the GAW cry to such a crescendo that even the most skeptical management men are beginning to take alarm.

• **Year of Decision**—It may prove wrong to think of 1955 as the year of decision on guaranteed annual wages. But if a single major employer in a major industry accepts GAW in some form, the year will have lived up to its billing. On the other hand, even if all the big labor contracts to be renegotiated this year are rewritten without GAW clauses, the decision will only have been postponed. Next year, and the year after that, and the year after that, the GAW issue will be raised again. The unions will not let go now.

It looks as if it would take a long series of completely unsuccessful strikes or some drastically punitive legislation outlawing GAW in all its forms to convince the unions that their GAW demands are unattainable. And the cost in labor trouble would be immense.

III. Counteraction

Doubting equally that employer resistance or anti-GAW legislation would be stiff enough to balk the unions, some management men and their consultants are studying their company operations to see how they could accommodate to a wage guarantee system if they had to.

• **Straws**—So far, management itself isn't talking much about GAW. The auto industry isn't tipping its hand too far while it goes into negotiations; other industries are marking time till something comes out of Detroit. But in an increasing number of comments by management consultants and labor relations experts, you can see how the wind is blowing.

At the very least, says a labor consultant to a large manufacturer, companies should collect and analyze every employment figure they can lay hands on. He points out that most companies know only that a certain percentage of workers are idle in a given week, month, or year. They don't know the details of how the lost time accrues—so many hours a day, so many days a week, or what. And they'll need to know, the consultant says, in order to see how GAW would affect them.

Management consultants are also talking up a realistic approach to GAW. "Management can and should take the initiative in stabilizing employment," Arthur P. Felton of Bruce

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Payne & Associates recently told a management meeting, "because management has even more to gain than labor. . . . Let's go ahead and achieve our own solution before we're forced by labor into an uneconomic condition from which there is no sound exit. . . . Let management take the initiative in stabilization."

"One need not assume that GAW is inevitable," says Dr. C. Wilson Randle, director of research for Booz, Allen & Hamilton, "to show the wisdom of being prepared to deal with it

and with fluctuations in production from which it stems. . . . Labor and management alike have a mutual interest in production stabilization from the standpoint of evening out earnings, lowering costs, and thus expanding markets."

Randle goes on to say: "If past experience is a guide, saying 'no' will not suffice. If a stand is to be taken against the GAW, some type of alternative proposal as a substitute needs to be formulated. If the decision is to negotiate some type of GAW plan, then business should know its situation well enough to formulate a plan tailored to its circumstances and within its capabilities. . . . Bargaining is a two-way street rather than an exercise in graceful retreat."

Detroit is the first major battleground for GAW—here are the reasons why

It seems safe to say that if GAW comes in 1955 it will come by way of the automobile industry. Only a handful of industries are important enough as collective bargaining pattern-setters to lead such an innovation and, within that handful, GAW has come to its ripest stage in autos.

In steel, collective bargaining this year will be confined to a wage re-opening of contracts that still have more than a year to run.

In coal, either the United Mine Workers or the employers can cancel contracts on 60-day notice, but wage increases have now lagged so far behind those of manufacturing that GAW would be, at most, a subsidiary issue.

In rubber, bargaining will be centered this year on wages and improved welfare provisions.

In electrical manufacturing, contracts with major employers such as General Electric Co. don't expire until the fall, and the unions aren't in a strong enough position this year to try to break much new ground.

By elimination, the auto industry is the arena, and GM, Ford, and Chrysler are the targets.

I. The Auto Workers

The offensive will be mounted by CIO's largest union, the United Auto Workers. While every union has characteristics that are peculiar to its industry and its history, UAW is particularly distinctive as a labor body.

More so than most unions, UAW was born in bitter strife. Although not the first union to use it, UAW employed the sitdown strike technique so widely that it was thought of as holding the patent. To get established, UAW had to carry on live-or-die bat-

tles three times: with General Motors, with Chrysler, and with Ford. Its present healthy state attests to the fact that it won them all.

• **Intramural Wars**—Again, more so than most unions, UAW was threatened with destruction by internal factionalism almost from the day it started. Communists, Socialists, Trotskyites, Lovestoneites, radicals, opportunists, crooks, and demagogues vied with each other and with less exotic types of trade unionist for leadership and control in what was destined to become a powerful labor organization.

These factions, blocs, and splinters shifted back and forth in temporary alliances and coalitions, one day working in the closest harmony, next day breaking up each other's caucuses.

In its first phase, UAW was an example of a union where democracy ran wild; it was a virtual anarchy.

But while the UAW remains today a much more democratic union than, say, the miners or the steelworkers, it has come a long way from its anarchic past.

Walter Reuther, who finally brought the union under centralized control, has frequently been presented as the archetype of the "new" labor leadership in America, but in many ways he is a throwback to an older type. The fiery, youthful Socialist, moving up in the union hierarchy to a position of eminence, getting more sober and responsible along the way, was a common personality 50 years ago. And it was also common that, even at the end of his career, gray and plump, the erstwhile Socialist would retain some of the idealism, some of the militance, and a good deal of the rhetoric of his youth.

• **A New Man**—As you might expect when you cross a Socialist background with the practical opportunism of or-

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by BEARDSLEY RUMI

"We don't want runaway industries" says Governor Muñoz. "But we do seek new and expanding industries." Federal taxes do not apply in Puerto Rico, and the Commonwealth also offers full exemption from local taxes. That is why 300 new plants have been located in Puerto Rico, protected by all the guarantees of the U. S. Constitution.



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IN A dramatic bid to raise the standard of living in Puerto Rico, the Commonwealth Government is now offering U. S. manufacturers such overwhelming incentives that more than three hundred new factories have already been established in this sun-drenched island 961 miles off the Florida coast.

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Your dividends in Puerto Rico from a corporation there could be \$50,000 against \$25,000 net in the U. S.—owing to the non-applicability of the U. S. Income Tax.

What About Labor?

Puerto Rico's labor reservoir of 650,000 men and women has developed remarkable levels of productivity and efficiency—thanks, in part, to the Commonwealth's vocational training schools. These schools also offer special courses for managers and supervisors.

The progress made in technical skills may be gauged from the fact that there are now twenty-eight factories producing delicate electronic equipment.

Among the U. S. companies that have already set up manufacturing operations in Puerto Rico are Sylvania Electric, Carborundum Company, St. Regis Paper, Remington Rand, Univis Lens, Shoe Cor-

CORPORATE TAX EXEMPTION	
If your net profit after U. S. Corporate Income Tax is:	Your net profit in Puerto Rico would be:
\$ 17,500	\$ 25,000
29,500	50,000
53,500	100,000
243,500	500,000
483,500	1,000,000

DIVIDEND TAX EXEMPTION	
If your income* after U. S. Individual Income Tax is:	Your net income in Puerto Rico would be:
\$ 3,900	\$ 5,000
7,360	10,000
10,270	15,000
14,850	25,000
23,180	50,000
32,680	100,000
43,180	200,000
70,180	500,000

*These examples are figured for dividends paid in Puerto Rico to a single resident. Based on Federal rates effective Jan. 1, 1954.

poration of America, and Weston Electric.

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		HOW MUCH IS GUARANTEED?			
		HOW MANY HOURS	OVER HOW LONG	AT WHAT RATE	WITH WHAT PROVISOS
UNITED AUTO WORKERS	PROBATIONERS	40	Per week if not notified in advance of full week layoff	Regular pay	None
	SENIORITY EMPLOYEES	40	For any week they work; a company would have to pay this from its regular funds, not from GAW, and the worker would be credited for a full week worked toward GAW	Regular pay	None
	SENIORITY EMPLOYEES	Up to 2,080	Spread over 52 40-hour weeks	What is needed to provide "same living standards as when fully employed"	One week of GAW credit is to be accrued for every two weeks worked, up to maximum of 52 weeks of GAW
INTERNATIONAL UNION of ELECTRICAL WORKERS		2,080	52 weeks	Regular day rate with incentives, any differentials	At least 48 40-hour weeks must be included, to bar short week of work and pay made up for with long week at another time
UNITED STEEL WORKERS (1954 GAW proposals which may be revived in aluminum negotiations)		1,560	52 weeks	Regular hourly rate without incentives or differentials	

ganizational leadership in an industry that is almost the epitome of expanding free enterprise, the present-day Reuther is a very mixed grill.

He is no longer the same man who bracketed auto management with darkest capitalist villainy. He is no longer the same man who declared that the auto workers were called by destiny to form a Labor Party in the U.S. He is not even the same man who made "Let's look at the books" a slogan for a bitter and protracted strike in which demands for wage increases were inseparable from demands that the industry not raise its prices. But he is still tough and ambitious and eager to be the captain of a new crusade.

Whether he has rationalized it or

not, Reuther is thoroughly convinced that GAW is his members' greatest need. The energy he brings to pushing it comes from the heady mixture of his conviction that it is needed with his awareness of how much it will build his stature if his campaign is successful. With pension and welfare responsibilities of the auto industry already established, it is the one new measure with which he can be clearly identified.

• **Bargaining Position**—So Reuther is in a position to put solid organizational support behind GAW. In addition, in one important sense, he is in the best bargaining position of any labor representative in the U.S. to strike out in a new direction.

UAW has no real wage problem with

its major employers. The automatic cost-of-living wage adjustment device in the auto contracts, plus the so-called annual improvement factor that adds 5¢ per year to hourly wages, have kept auto pay moving up.

Wages haven't risen far enough, UAW will argue, of course, and produce ingenious formulas to prove it. Nevertheless, the issue of direct wages is less desperate with UAW than with many other unions, and UAW doesn't have to stake its bargaining chiefly on that point. Therefore, UAW can afford to range more widely into such fields as GAW.

• **Not a Lone Hand**—While the big push on the guaranteed wage is expected this year from Reuther and UAW, other

CIO Guaranteed-Wage Plans Compared

WHO IS COVERED?	WHAT CAN BE DEDUCTED?		WHAT ABOUT FINANCING?	
WHICH EMPLOYEES	WITH WHAT CONDITION		COST TO EMPLOYERS	WHAT IF RESERVES AREN'T SUFFICIENT?
Those on payroll less than 90 days	None	Nothing	Payable out of regular payroll funds, as an extension of present "call-in" pay	
Those on payroll more than 90 days	None	Nothing	Same as above	
Same	If laid off, worker must register with USES and accept "suitable" job if offered; if too ill to work, and laid off for that reason, no GAW is due	Where state laws permit it, unemployment compensation received while off the job; also whatever pay is earned by "fill-in" jobs while laid off	Up to a fixed percentage of payroll, the employer pays guaranteed wages from payroll funds; above the fixed percentage, payments are from a GAW reserve fund to be raised and maintained through employer payments, not yet specified	If heavy layoffs occur, funds will be prorated to protect the rights of high-seniority workers who might be laid off later. Employers will not be immediately liable for any additional payments, but the fund will have a "continuing liability" to make up any unpaid guarantees after the crisis has passed
All on payroll for 1 year; those with 3 mo. to 1 year seniority are guaranteed less	Same as UAW's on availability for USES jobs	Same as above	IUE estimates it as about 5% of payroll; when reserves equal 10 weeks' pay per covered employee, payment into fund may be reduced	Payments will stop and employers face no further liability
All on payroll for 3 years or more	Same as above	Same as above	USW also wants reserves of a "specified level" of payroll accrued through fixed employer payments; when the level is reached, payments may be cut	Same as above

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unions aren't staying on the sidelines. The fight may be UAW's, but:

- The International Union of Electrical Workers (CIO) expects to negotiate on its GAW plan (above) with the Radio Corp. of America and Philco Corp. at about the same time UAW is bargaining with GM and Ford.

- The United Steelworkers (CIO) will not seek GAW in a contract reopening with major basic steel companies this year, but may dust off its different version of a guarantee program later in the year when negotiations begin with the big aluminum companies. AFL's Aluminum Workers has already announced that it wants a GAW plan in its next contract.

- The Brotherhood of Teamsters

(AFL) has won some 40 small annual-wage plans in St. Louis warehouses and recently wrote a guaranteed weekly pay clause into contracts covering Midwestern truckers.

- The United Packinghouse Workers (CIO), which has the pioneering Hormel GAW contract, has been quietly pushing GAW in sugar refineries—and has a number of plans in effect in Boston, New York, and Philadelphia.

- The Glass, Ceramic & Silica Sand Workers (CIO) will seek a "UAW-type" guarantee program in bargaining with Libbey-Owens-Ford Glass Co. and Pittsburgh Plate Glass Co. These contracts are cancellable May 15; GAW bargaining is expected to start about May 1. In other parts of the glass in-

dustry, AFL's Glass Bottle Blowers Assn. and its employers have agreed to study guaranteed-wage plans.

- AFL railway shop unions have announced that they will ask railroads for a GAW program in bargaining this summer. A modified version, a job-budget plan, has been operating successfully on the Seaboard Air Line RR for more than 20 years (BW—Jan. 3'48, p58). Another AFL rail union, the Brotherhood of Maintenance of Way Employees, has just slipped ahead of the pack by formally demanding from major carriers the equivalent of GAW.

- The National Maritime Union (CIO) will ask shipping companies on the Atlantic and Gulf coasts for a specialized form of GAW—a "guaranteed

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annual employment insurance security" plan, financed by employers at a suggested \$1 a man per day; NMU would have fund trustees pay regular seamen \$40 a week while "on the beach."

Management is wary of GAW—it sees flaws in both the principle and the practicability of the scheme

On the eve of the auto contract talks, BUSINESS WEEK reporters discussed GAW intensively with the top officials of big companies in the auto business and in other industries. They found a few management people who approve the idea; it just isn't right, these men said, to bounce workers on and off the payroll. Reporters found other executives who oppose the principle of GAW but feel that the plan is symptomatic of the times.

But by far the majority of management men—they were unanimous in the companies closest to the bargaining—declared that they are flatly opposed to GAW in any form or degree. They gave reasons that followed much the same pattern regardless of who was doing the talking:

- As a matter of strategy, management objects to GAW as it might to any other bargaining issue.
- It opposes GAW in principle and as a radical departure from long-standing public policy of giving equal treatment to all the unemployed.
- It contends that the plan, as presented, is impracticable.
- It says that, far from assuring full and stable employment, GAW would restrain full production and cut the number of steady jobs.

I. Bargaining Strategy

"You know," said the board chairman of a big manufacturing company, "the union could come in this year with a proposal that's hard to turn down—a plan that covers only the limited number of high-seniority workers you would keep all year round anyway. But next year . . . and the year after that! Once it became a bargaining issue, guaranteed employment would grow bigger and bigger until your labor force reached an unbearably rigid state."

This expresses one of management's greatest fears: that the camel will somehow get its nose in the tent through a deceptive mildness. As executives see it, GAW couldn't be sold to management or to the public any other way. Almost by definition, it can be instituted only when there is little need for

It is obvious from this list that, while the concentration of GAW demands is still heaviest in CIO, some AFL unions are also interested in guarantees. The attitude of George Meany, AFL president, partly reflects this. For a long time cool toward GAW, Meany now gives limited support to the proposal. He is not convinced, however, that a guaranteed wage is practical in some industries.

it; even the most militant union wouldn't propose starting it in a time of severe unemployment.

Right now, with employment relatively high and the senior workers protected anyhow by common practice, management thinks the unions will make the most of their bargaining point. And it's afraid of what will happen after that.

• **Inevitable?**—Management is also skeptical of the widespread notion that some form of GAW this summer is practically inevitable.

"Sure, UAW would like you to think so," said an executive who is not in the auto business. "It's a strong part of the union's campaign to say: GAW is inevitable, so why not now?"

He added that he hasn't given up hope that leaders of the auto industry will recognize the GAW as something bigger and of a different nature than any previous labor issue. And even if one auto company gives in, he says, there's ample precedent for last-ditch resistance by the others—no one else followed Ford's recognition of a foremen's union in 1945, and Ford finally had to back away from it, too, at the cost of a bitter strike.

Another executive declares that this is CIO's final effort—after failures in steel, rubber, electrical manufacturing—to establish GAW in a pattern-setting industry. If it fails this year, he says, the issue will be dead.

II. In Principle

Management's objections to GAW in principle add up to these conclusions:

- A man shouldn't get the same pay for not working as for working.
- If unemployment compensation is inadequate, the deficiency should be remedied through established legislative procedure, not by a private plan to supplement it.
- Labor should not be made a fixed cost of business, but should vary according to production.
- In its planning, management should not be fettered with incalculable cost considerations.
- A company shouldn't be forced

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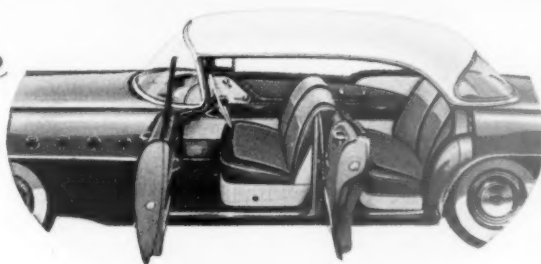
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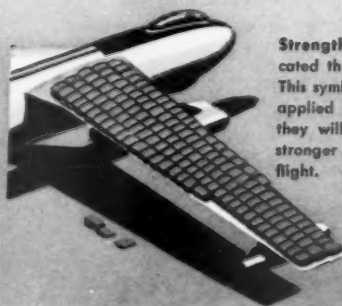
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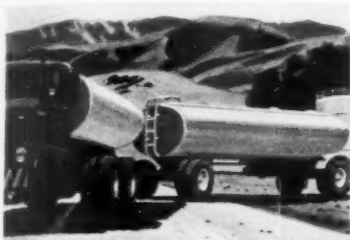
Sportsman's Delight! You don't need muscles to lift a boat made with Kaiser Aluminum—it's *light*! You're as safe as in your own bathtub—it's *strong*! Resists salt water corrosion, keeps its beauty!



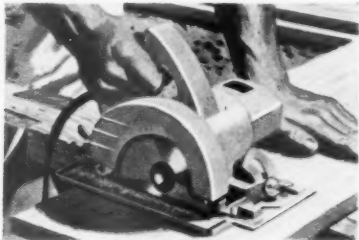
Travel light! Luggage made with Kaiser Aluminum looks solid, rugged, durable—and it is! But it's also as *light* as it is beautiful. That convenient travelling iron has the same combination of advantages!



Give your back a "break"! Why wrestle with a garage door made of heavy materials? When it's made with Kaiser Aluminum, Junior can lift it with one hand. And you get strength, beauty, corrosion resistance!



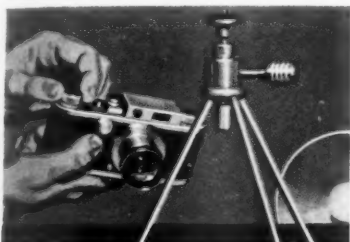
Make more profits! If you operate truck tanks made with lightweight Kaiser Aluminum, you'll get more payload, make more money! Cargoes are safer with non-magnetic aluminum's strength, resiliency.



Save your strength! You'll cut more wood, cut down on fatigue, with a portable power saw made with Kaiser Aluminum—it's so light, easy to handle. It's also rugged and durable, and it won't ever rust.



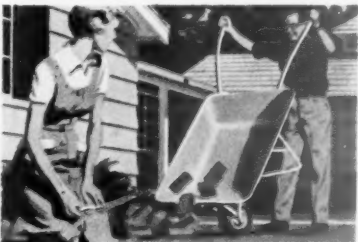
Easy on your purse! You'll save money with a lightweight house trailer made with Kaiser Aluminum! It eliminates weight, reduces tire and engine wear, cuts fuel costs. No rust streaks to mar its beauty!



Camerasman's companion! Fold this camera tripod, put it in a tube, and carry it in your hand—aluminum is that *light*! The camera is also light, strong, economical—thanks to aluminum.



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More fun for gardeners! Wheelbarrows and garden tools made with Kaiser Aluminum make *light* work of gardening. Save you money, too, because aluminum won't rust and can take hard work for years.

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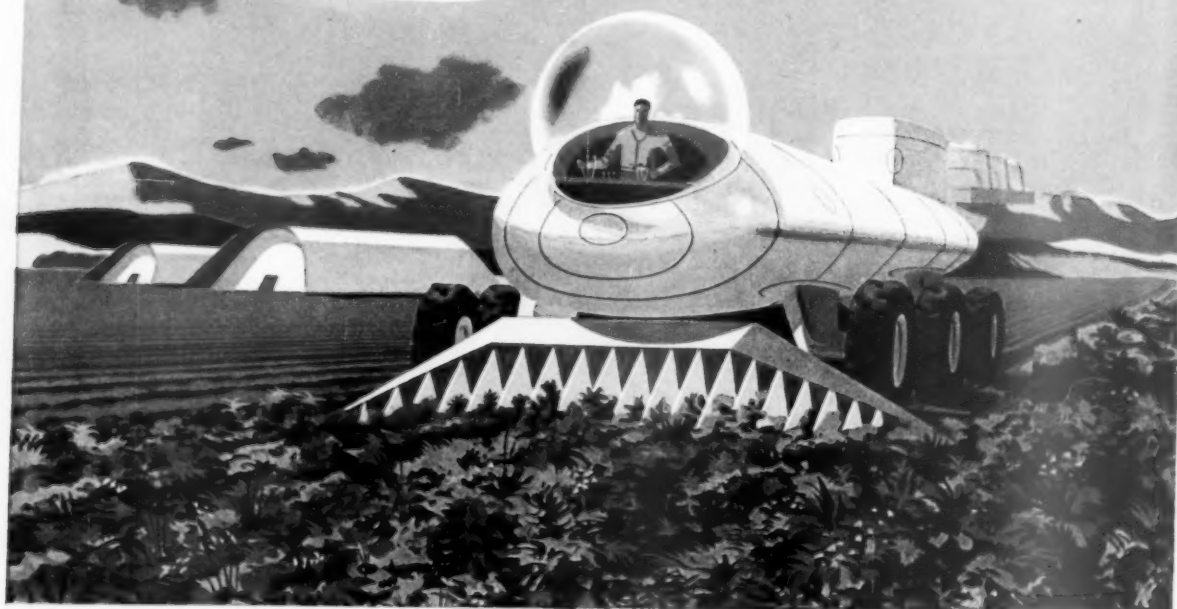
We are continuing to expand. For we believe that this dynamic industry is only on the threshold of its greatest growth.

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THE GUARANTEED ANNUAL WAGE

Special Report Starts on p. 80

to finance a strike against itself, as some say GAW would do.

• **Why Work?**—Public policy, as expressed in unemployment relief statutes, has always held that a man should be paid not more than half as much for not working as for working, management spokesmen say. Most state scales for unemployment compensation are figured on about that formula, minus what the worker saves in taxes and in expenses of going to work.

On the other hand, GAW would assure a worker of his full pay whether he actually produces or not, executives say. It even continues his fringe benefits while he is idle, just as if he were working: pension contributions, health and accident insurance, and the like. As a result, in management's opinion, the worker has little incentive to work instead of loaf.

• **Seniority in Reverse**—One company refers to an experience where high-seniority employees in fact demanded the right to be laid off first. It happened a few summers ago when the junior employees in one department were laid off for lack of work. The older men were disgruntled at having to do the hot, dirty work in the dog days, and they asked for reverse seniority: Let them go first and draw unemployment compensation and go fishing while the younger men earned the pay.

The company had to point out that the union contract required layoffs strictly on a seniority basis and that UC gave benefits only to men who were involuntarily unemployed. But company officials see the same thing happening—oftener—under a guarantee of full annual earnings.

• **Jobless Pay**—Management draws a sharp distinction between state systems of unemployment compensation and the proposed private system of GAW.

For 20 years, businessmen say, it has been public policy to give the involuntarily jobless a degree of support that saves them from destitution. UC applies across the board, treats all citizens the same—though some management people suggest the laws might be changed to give higher UC payments to men who normally make higher wages.

GAW would discriminate in favor of a relative few and against the consumers at large, including the large number of workers who weren't covered by the plan, says management. Its cost would inevitably appear in the prices paid by these people for the products of GAW-covered companies.

Instead of making the care of the unemployed a matter for collective bar-

gaining, some executives say, it would be better to back whatever liberalizing of the UC laws the public deems prudent.

• **Fixed and Variable**—As management sees it, GAW would paradoxically make labor a fixed annual cost and at the same time make it impossible to calculate in advance.

Traditionally, the hourly-paid labor cost has been a variable item. It fluctuates as production and sales fluctuate. This, of course, is exactly what GAW is designed to change. The unions say that the living expenses of the employees do not vary, so their wages shouldn't vary. Moreover, the unions say that the fringe benefits of pension, health, and welfare plans are part of an employee's standard of living and shouldn't change either.

UAW's question-and-answer primer on GAW makes this plain: "These benefits will be maintained while the worker is on layoff and eligible for guarantee payments just as though he were still at work."

If hourly wages become fixed instead of variable, how can it be true that companies can't figure a future year's labor cost? Management cites two big reasons why not:

• GAW is submitted as a supplement to standard unemployment compensation—but UAW, for example, specifically refuses to accept existing rulings by UC boards in 48 states and the District of Columbia as to what constitutes eligibility for UC payments. Management can't figure how much of the guaranteed total would come from UC and how much from a GAW fund at a given employment level and a given rate per hour.

• There is talk of an industrywide pooling of GAW funds—in autos, for example—so employees of smaller and weaker companies would have the same protection as those of the big producers. Management men foresee strong pressure to rebuild a pool fund if it was drawn down heavily, so they say they would not only have to predict what kind of year their own company was going to have but also what kind of year their competitors would have.

Furthermore, management says, the cost could run so high in a real depression that it could bankrupt even a big and strong company.

• **Suicide by Strike**—Management detects, too, that a new and dangerous element is being introduced into collective bargaining. A big manufacturer sees this possibility if GAW were in effect:

An auto producer might balk at a union demand. The union might call a strike against his key suppliers. For a relatively small number of workers involved, this wouldn't cost the union much out of its war chest. Meanwhile, the producer's assembly line would shut

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down; he would have to lay off workers, who would draw UC and GAW. Suddenly he would find he was paying for a strike against himself.

This could mean the end of collective bargaining as it has been known, says this executive.

III. In Practice

Even if GAW were acceptable in principle, businessmen contend it has self-defeating flaws in practice. Besides, they say, it doesn't offer any essential incentive to employment stabilization that isn't already in effect.

"It's good management to have production and jobs steady," says a policy statement by General Electric Co. "It's the way to have the least capital tied up in facilities, the lowest material costs and the best vendor relations, the least hiring and retraining expenses, the least overtime and call-in expense, the lowest overhead and the highest morale, and to make the steadiest and most rewarding technological progress. It is the way to save also on unemployment compensation taxes. . . ."

Some employers speak bitterly of UAW's historic opposition to merit rating in unemployment compensation taxing—they say an employer has a real dollars-and-cents incentive for keeping employment stable if he gets a lower tax rate as a result. GAW, these employers say, is built on much the same incentive, but lacks the same ease of figuring.

• **Stability Record**—The biggest companies—the ones theoretically best able to support a GAW program—have made the greatest strides toward stability in their labor forces.

General Electric, for example, is on record with the statement that its hourly-paid workers have averaged at least 40 hours a week for the past five years. Ford Motor Co. makes the same assertion, and General Motors Corp. calculates the five-year average at 40.7 hours per week (BW—Mar. 5 '55, p120).

• **Added Costs**—Besides the unpredictable cost of supporting a wage guarantee—one big company's projections range between a hypothetical minimum and a high that might be hundreds of times as much—businessmen expect there would be heavy direct costs of administration under GAW.

Each company would need a staff of investigators to follow up on each layoff case and see that employees qualified under UC; without such a follow-up, the company might be stuck for the entire GAW instead of merely the ex-

cess above UC payments. Like the percent of payroll set aside for GAW, the administrative cost would have to be passed along to the customer.

One executive made a strong point of another factor that would raise GAW's cost to the employer: the difficulty of investing GAW reserve funds profitably. He said these funds would virtually be sterilized; since the demand for them could never be predicted, they couldn't be invested with the freedom of insurance or pension funds. About the only outlets he could think of would be the very low interest-paying Treasury bills and tax anticipation notes.

IV. In Effect

If GAW went widely into effect, management men predict that these would be the results:

• **Employment would shrink.** Employers would settle on a smaller permanent work force—to avoid adding to their GAW obligation—and would schedule more overtime instead of hiring new

workers. Management would tend to rule out marginal and growth enterprises containing any element of risk.

The business of suppliers would be more volatile. To keep the permanent work force busy, a manufacturer would choose to make more components himself rather than buy them outside; in rush times, he would want to farm more work out rather than add to his own labor force.

The weaker company would suffer. The low-volume, intermittent producer would presumably be hit harder by GAW to begin with; if its sales lagged, it would be hit still harder by GAW obligations at a time when it most needed funds to recover its market position by new developments, retooling for new models, and new sales campaigns. "The big would get bigger and the small would go out of business," says one executive. "For a small business, this is the worst thing that was ever proposed," says another.

In sum, GAW would stifle full production, full employment.

Any GAW plan that comes out of Detroit would be relatively moderate—at first. And if the auto industry found it workable, most other industries would, too

Today, the spotlight is on Detroit as the stage for bargaining that will bring out both sides of the argument on GAW. Detroit is GAW's test case. The auto industry is capable of setting patterns for the rest of business. Its managers are practical-minded, would not be led into any socialistic path. And the industry has problems of seasonal sales, style changes, and cyclical developments that are at least as severe as in any other field.

If a GAW plan should result from auto bargaining, therefore, the rest of industry may be appalled at the precedent that is set, but it will know one cheering fact: If the auto industry can live with it, they probably can.

• **Stop-Go Production**—The auto companies make a bulky, expensive item for which inventory of either parts or finished products is limited, by necessity. Almost automatically, this means stop-and-go production.

UAW makes a lot of noise about the "callousness" of the auto industry in producing like mad for part of the year, then laying off workers en masse when things slow down or models are being changed. But, actually, Reuther and the auto industry are closer together than you might think.

There are some who say the GAW issue would never have come to a boil now, had it not been for the auto companies' mass hirings and recruiting outside the Detroit area in the fall and winter of 1952-53, and the mass layoffs through the months that followed.

But the auto industry doesn't like these swings in production and employment any better than the union. With expensive machinery and high fixed costs, the auto companies must aim at stabilizing production at a high rate, to get the maximum return on their costs. And they are doing it—better, perhaps, than is generally realized.

I. Smoothing the Dumps

Last year, for instance, Ford Motor Co. worked overtime most of the year. There were work interruptions because of labor trouble, but none because of overproduction followed by slowdowns.

At GM, there were short work weeks and layoffs at Chevrolet early in the year but full employment the rest of the year.

The most severe layoffs in the industry, in fact, were attributable not to production scheduling but to the weakness of sales in Chrysler and the independents.

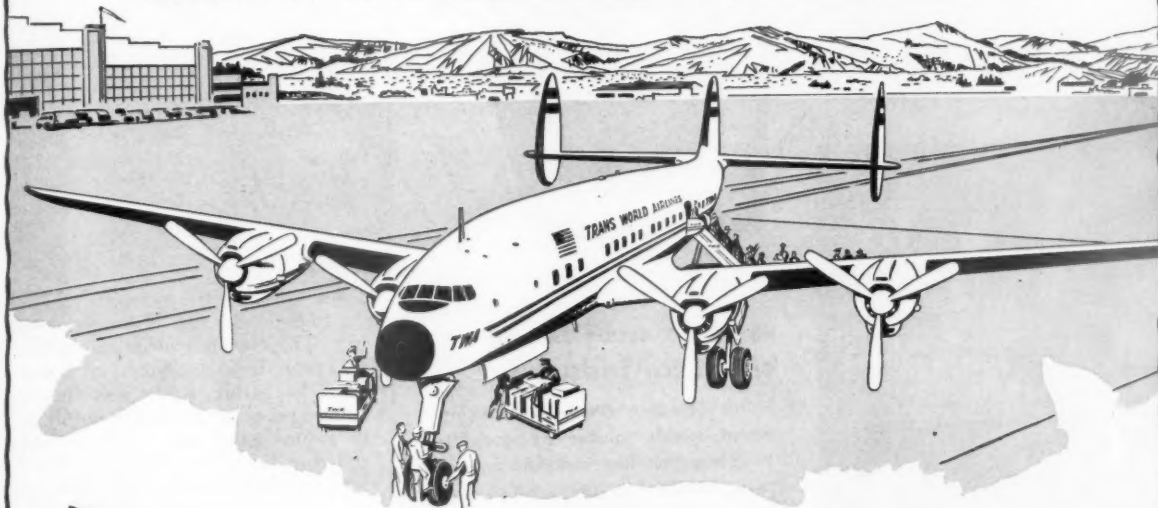
In its claim that management can avoid the cost of GAW by better scheduling, the UAW has singled out Chrysler for its example. But the UAW says nothing about Chrysler's main difficulty last year—which was to find a market.

• **Quick Changes**—The record shows that the auto companies have been trying hard to eliminate layoffs within areas of their control. Ford Div., for instance, was shut down no more than 10 days at any of its assembly plants in 1954 to make a complete model change. This

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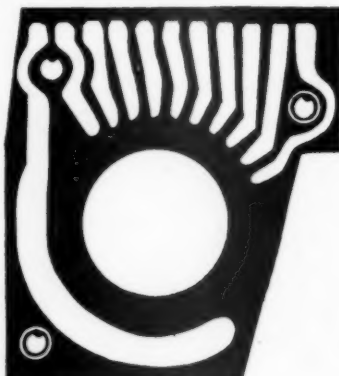
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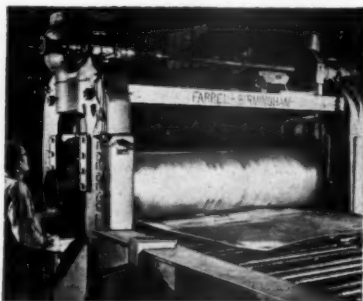


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THE GUARANTEED ANNUAL WAGE

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was a shorter length of time than its shutdown in 1953 for a change to a model that, in styling, was merely a face-lift of the previous year's car. In one recent year, a General Motors division was shut down only two days for a face-lift.

There are exceptions, of course, such as the long layoff at Chrysler, Packard, and American Motors last year. All three were making basic changes, the last two changing plants. Chrysler's situation was complicated by the fact that 1954 models were not selling well, so the shutdown was partly for inventory adjustment.

Because the auto companies have as keen an interest as the UAW in smoothing out the production pattern, in the coming negotiations there should be little dispute over better scheduling.

II. Seasonal Marketing

But how about the problem of adjusting to the seasonality of the auto industry? The answer to that one depends on a more basic question: Just how seasonal, by nature, is the auto industry?

Using a percentage of monthly sales to annual sales over a 9-year period ended in 1953. May averages out as the highest month, with 9.5% of the average annual sales for the period. Yet, in two of the years, the percentage of sales in May was among the lowest for the year.

Another example: In 1941, sales in September were 3.36%—the lowest monthly percentage of that year. But in 1950, September sales were 9.8%, second highest of that year.

• **What Pattern?**—The spring months, March through June, are supposed to be the best selling months of the year—but in 1948, June was the worst month. In 1949, August, September, and October were the best months. In 1953, the high month was June; in 1952, June; in 1951, March; in 1950, August; in 1949, August; in 1948, April.

If there's a seasonal pattern in those figures, what is it? Some are partly explainable by external events—for instance, the high month in 1950 was August, a month after the Korean War began, and the April high in 1948 represented the first outpouring of the genuine postwar models, as distinguished from face-lifted prewar cars.

• **Promotion Effects**—If you examine the monthly sales percentages for all years since the war, however, one fact sticks out:

Introduction of new models in the fall pulls up sales in November, Decem-

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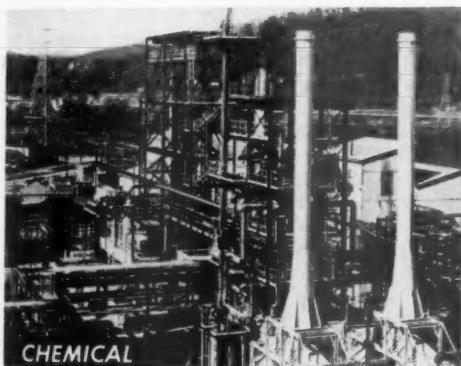
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ber, and January—traditionally the dull selling months in the auto business.

The more you study the figures, in fact, the more the suspicion grows that the alleged lemming-like rush to auto showrooms in the spring isn't entirely unaided by manufacturers. It may be that man's chemistry, when he sniffs spring air, impels him to beat up the roads in a new car. But suppose the cars just aren't available in the spring? Suppose the manufacturers don't step up their advertising in the spring? Will the prospect insist on a car at that time and no other time in the year? The figures don't say so.

Take the case of Ford in 1953: For the first six months, Ford had a tough time. Its quota of materials assigned by the government was based on a lower-than-normal period of production. Its flow of components was cut off by strikes in suppliers' plants and in some of its own supplying plants. The result was that Ford couldn't meet the demand. The strikes cleared up and, in July, controls were dropped.

For the first six months of 1953, Ford Div. sold 475,000 cars. For the last six months, it sold 640,767. Thus, Ford proved you could sell more cars in that part of the year when sales were supposed to sag.

• **Hiking Sales**—In private, auto people will acknowledge frankly that the industry itself has a lot to say about which are the best selling months.

"We force them to buy cars," says one leading personality. The principal lever in this force is the new model every year. And it's quite a lever.

Years ago, new models were introduced around the turn of the year, to give sales a big lift in the spring. During the depression, Pres. Roosevelt asked the auto industry to advance its new model introduction to the fall. The reasoning was that the industry didn't need a sales stimulus in the spring, but it did in late fall and winter. That would provide more jobs when employment normally was low.

So the new models were moved back to the fall. That pattern persisted until the war. Since the war, there has been no particular pattern to introduction dates, except that most were around December and January. Now the industry is moving back to the fall date.

III. The New View

Actually, there no longer seems to be any compelling reason why auto sales should be higher in the spring than at any other time. The industry grew up

in the days when roads were barely passable in winter, when prudent folk jacked up their cars for those months and certainly wouldn't think of buying a new car to age in idleness. Today, the auto is in everyday use all year round, and an owner may even prefer to go into the winter with a more reliable, better-performing new car.

Until lately, there hasn't been much pressure on the auto industry to shed its old ideas about sales. Now the auto people are learning, like everyone else, that a feast-or-famine business isn't healthy. And, when they look at the records, they find the monthly variations in sales percentages far smaller than they had believed. Now they are

Liability under GAW would have to be limited by the ability of the employer to pay

Literally, a guaranteed annual wage means that the worker is hired by the year, with the same pay whether he is continuously at work or not.

If an employer is already able to provide continuous work for a labor force of fixed size all year round, he might object to GAW in principle but the wage guarantee would cost him nothing. In 32 years, for example, Procter & Gamble's plan—which covers workers of at least two-year seniority and assures 48 weeks of pay per year—has reportedly cost the company "nothing to speak of." P&G can shift workers at will from one department to another, depending on where the work load falls.

"You can hardly picture this same situation in steel or autos, where workers thrive on seniority by occupation and department and where unions prevent a fluid work force," says a prominent labor consultant.

• **Where It Hurts**—On the other hand, the employer who is unable to iron out his employment fluctuations—whether they are due to production problems, raw material flow, seasonal factors, market patterns, cyclical swings, or plain poor management—could be hurt badly by GAW. A wage guarantee might add such steep charges to his cost structure that he might have to price his goods out of the market or go broke directly from the extra labor cost.

In the present state of affairs, which may be modified to some degree by managerial skill, the following rule of thumb is useful:

Companies whose employees can demonstrate no real need for GAW protection can best afford it; companies whose workers would benefit most might find it prohibitively expensive.

• **Working Definition**—In the end, the literal meaning of guaranteed annual wages and the real meaning of the unions' drive for a GAW plan may

free to try to match production schedules with the relatively stable sales record.

Much will depend on what sort of concessions the union will grant for shifting workers from one type of job to another to keep them productively busy. Some labor experts see the fluidity of work force as a reason for the continued success of GAW plans such as Procter & Gamble's, where workers can be moved around the plant, but auto unions have tended to freeze workers into jobs according to their skills. Lack of free choice of where to assign workers would hamper the small auto companies more than it would the big ones.

turn out to have little in common. A more practical definition of GAW was used by OWMR in its report:

"For the purposes of this study, a guaranteed wage plan has been defined as a plan under which an employer guarantees to all or a defined unit or group of his employees a wage or employment for at least three months."

Whether, within the terms of that definition, a GAW plan is costless or ruinous will depend on specific answers to questions such as these:

What proportion of the workers are covered, and what level and duration of benefits do they get?

Which industry is involved?

Are the GAW payments to be supplemental to state unemployment compensation, or will they replace it?

What sort of "distress relief" would an employer have?

• **Making It Tough**—On such issues as these there can be long weeks of tough bargaining. For the rule of thumb (no need for GAW = no cost; great need = great cost) has this corollary: The more readily an employer's core of longer-seniority workers, who rarely get laid off anyway, fits into a GAW commitment, the less he'll be forced to do to stabilize production and over-all employment.

That means the unions will press hard to make the terms tough.

The avowed aim of UAW isn't to get pay for not working; it wants stabilized employment. So the union will be after a GAW plan that hurts—one that makes unemployment so costly that employers really try to eliminate it.

I. Limiting the Risk

And the first economic question that arises is this: In what way can employers limit their liability under GAW?

Two major limitations on risk have been discussed:

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definable groups of workers, set apart by their wage level, their payroll classification, their length of service.

- **Setting up separate funds out of which "phantom wages"—wages for no work—will be paid.** The size of these funds would be determined, as in pension and welfare financing, by agreement on a percentage of payroll or a royalty on units produced. When the fund was exhausted, payments for idleness would cease.

In these terms, the entire GAW issue would come down to the same framework of discussion that applies in any other collective bargaining. From management's viewpoint, such limitations provide the only basis for any consideration of GAW at all.

- **No Blank Check—Management can't afford to write a blank check for GAW—and that's what any wage plan without limitations would be.** It's not like the case of pensions, where the employer's obligation can be predicted within a 2% or 3% error.

A company knows how many of its covered workers will reach retirement age by such and such a time and it knows its average turnover in that period—but it can't predict safely how many covered workers under GAW might be idle during the year.

II. How Big a Package?

The next question is how heavy a financial obligation the employers will hold still for. In this connection, it's important to remember that GAW can't be treated in a vacuum. The UAW, for example, isn't solely interested this year in GAW—it's going after other gains, too.

- **Want and Get—According to dependable sources, the total collective bargaining demand of UAW this year may run as high as 45¢ an hour.** Of this, 11¢ is already covered under the old contract by automatic cost-of-living and productivity increases. Of the remaining 34¢, wage increases and GAW together are said to account for about 20¢.

Of course, this is just the union demand. Settlement will take place at a lower figure—no one knows exactly how much lower. Informed observers think, however, that beyond the automatic 11¢ the package for pensions, health, wages, and GAW will probably fall within a 10¢ to 15¢ range. Take about 3¢ for pensions and health benefits, and you come down to 7¢ to 12¢ for wages, GAW, or both.

If Reuther decided to stake everything on GAW this year, seeking none of his gains in wages, about 10¢, give or take a couple of pennies, might be available for GAW. That would be about 4% or 5% of total payrolls in the big auto companies.



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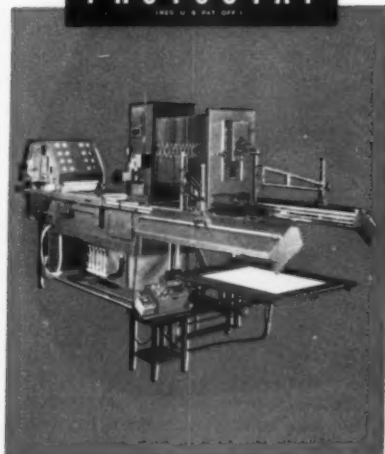
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Even so, along with standard unemployment insurance, GAW could provide quite a bit for workers

The question then arises: How much GAW can you buy for about a dime? The answer: quite a lot.

The background for that answer doesn't come from the relatively few cases of GAW plans already in operation, for those plans have been extended more or less paternalistically by management in industries where they are not likely to be used much. Instead, it comes from the accumulation of experience under the closest thing to GAW that we have—unemployment insurance.

• **Performance**—In the past 15 years, unemployment insurance taxes have cost employers about 1½% of payrolls (in 1953, the rate averaged only 1.3%). They have enabled workers to receive benefits equaling about one-third of regular wages.

In most states, workers are insured for up to 26 weeks. Actually, the average duration of benefits has been about 11 weeks. Only about 20% of claimants exhaust their 26-week benefits.

These are average figures, of course, and they cover a period of relatively low unemployment that averaged 2.7-million, or 4.6% of the total labor force.

• **Applied to GAW**—If a tax of less than 1½% on payrolls has produced this much in benefits, it appears that a 4% or 5% contribution to a GAW fund would pay for three times as much.

This calculation presupposes that companies within an industry would pool their GAW funds, balancing out their individual fluctuations, and that they would have several years of good business when their pay-ins could accumulate before a time of heavy payouts.

On this basis, if you could—as UAW wants—layer your 4% or 5% GAW contribution on top of about a 1½% UC tax, the contribution would total about 5½% to 6½% of payrolls.

• **Arithmetic Exercise**—At the Industrial Relations Research Assn. convention in Detroit, Harvard economist Seymour Harris reasoned along the same lines, and he came up with an estimate of a 6% rate as needed to finance something like a full 52-week GAW.

His arithmetic went like this: The UC rate of 1½% covers one-third of lost time. To cover full wages, multiply by three; that's 4½%. Add 1% for longer coverage, to take in those workers who exhaust today's 26-week limit on UC. Add another ½% for more

liberal qualification of workers for benefits and to cover elimination of waiting periods, and you get 6% total.

It is significant that Nat Weinberg, UAW's research director, found much to praise and little to blame in Harris' paper.

IV. UC and GAW

The unions hope to build GAW on top of UC. That looks like the easiest way to sell the idea to management. However, the mechanics of such a combination will take some working out.

Before GAW could function as a supplement to standard unemployment compensation, new laws or new administrative rulings would be needed wherever the covered workers were employed. In the auto industry alone, that would mean virtually every state.

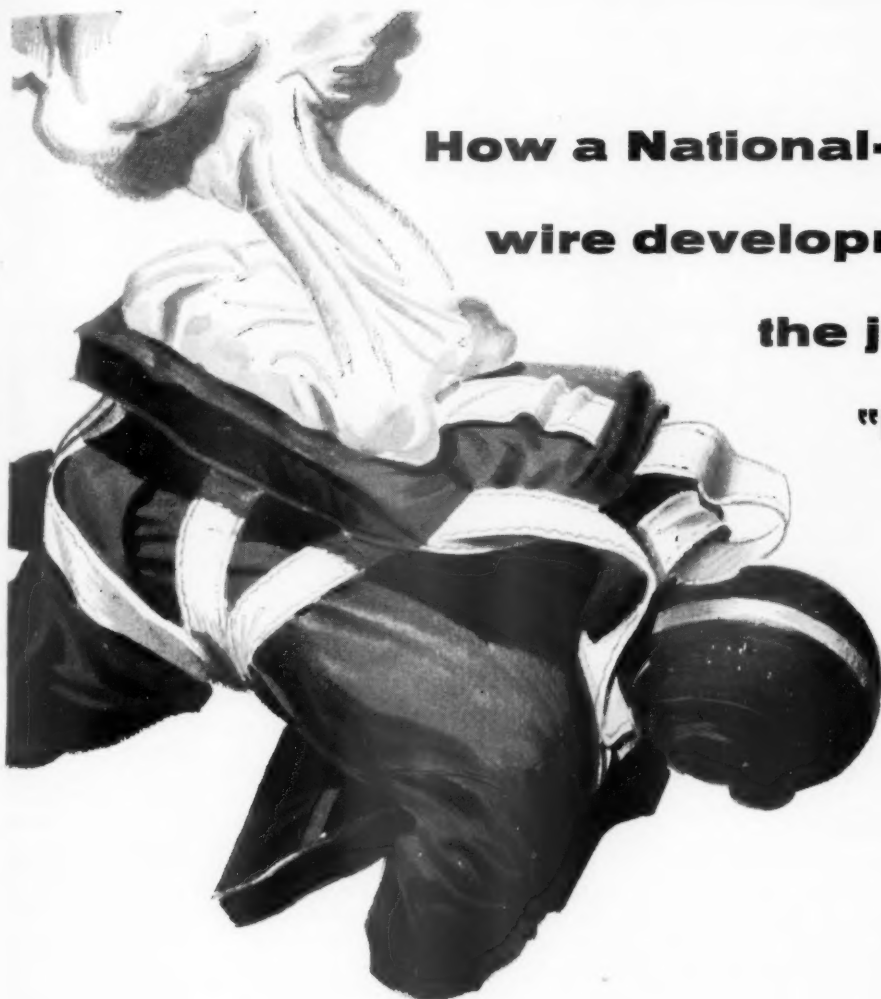
Under present laws in most states, a worker who was drawing pay under GAW couldn't qualify for unemployment compensation—he wouldn't be unemployed as the statutes define it. So before GAW and UC could be considered as part of the same package, the way would have to be cleared for changes in state laws and rulings.

The unions hope to persuade employers to back the necessary changes in state laws, and also to approve the pooling of GAW reserves (within industries, within states, or within localities) and the reinsuring of the risk.

• **Administrative Blend**—The next logical step would be to unify GAW and UC under the same administration, state by state, rather than setting up two separate systems. Paul A. Rausenbush, director of Wisconsin's Unemployment Compensation Div., is already urging that GAW be brought under UC auspices. Some management people, too, would prefer to see the whole thing under UC.

This goes a little too far for union leaders. For one thing, they want to be sure GAW stands, recognizable, on its own feet; that's important in the psychology of future dealings with other employers. Then, too, there's widespread dissatisfaction in unions over how UC is administered now. The unions say eligibility rules are too strictly interpreted (management often complains that the interpretation is too loose).

Besides, the unions say, the use of



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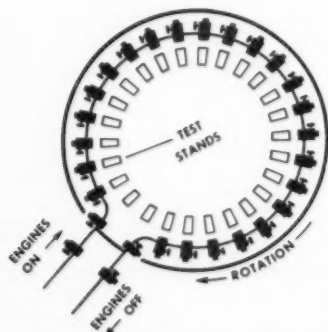
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the experience rating, or merit rating, under UC has had little demonstrable effect in stabilizing employment as it is supposed to do. Under this rating system, used in every state and territory, the employer's tax rate varies with his record of stability in employment, but unions say employers have been more concerned with making a record by disputing claims than by regularizing employment. So the unions don't want GAW to get mixed up with UC just now.

IV. In a Recession

If a major depression could be avoided, and if unions were patient while funds were building up in the initial years to a certain percentage of total payrolls, labor could be assured, even in a small-scale recession, of substantial protection against unemployment.

For example, in the recession from October, 1953, through September, 1954, payrolls of manufacturing industries (the auto industry followed the pattern almost exactly) shrank about 10% from mid-1953 levels.

If GAW funds had been accumulating at an annual rate of 4% or 5% of payroll for less than three years before this recession, labor leaders say, such a fund could have taken the dip in stride. Moreover, the unions add, GAW payments would have helped to maintain consumer ability to buy, and companies might not have laid off so many workers if GAW had been in effect.

This does not impress some management men, who retort that a deeper and longer downturn than that of 1953-54 could have exhausted the GAW funds or driven employers out of business.

UC experience is also the basis for the unions' claim that it would be possible to scale down the employers' initial rates of contribution, once a safe GAW reserve fund had been built up. In 1938, the average rate of employer contributions to UC was 2.75%; now it's 1.3%.

GAW would affect the entire economy of the U. S.

The sort of GAW plan that today looks most likely to succeed would not itself revolutionize the American economy. Rather, it would be part of a revolution that has been taking place for some time—a movement within the enterprise system toward greater sta-



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bility and greater security. However, GAW could well produce too much stability if it tied the hands of management. It might have dramatic effects, though, in many fields: finance, marketing, and production as well as labor relations.

For example, the amassing of funds large enough to handle payments in time of stress on the scale envisioned by the backers of GAW would raise questions about the effect of such mass savings upon the U.S. economy. At the least, it would raise the same questions that come in connection with the huge pension funds: where to invest them, how to avoid dislocating the markets, how to administer the funds, and so on.

In the areas of marketing and production, some effects might be even more vivid.

I. Marketing

For years, there has been a nationwide trend toward more stable markets for goods, particularly consumer goods. Today, there is a wide range of effective tools for estimating, controlling, and changing the markets. These tools were only in crude form a few years ago and didn't even exist a couple of decades ago.

Certain theorists say that the existence of a guaranteed annual wage on a wide scale would, in itself, tend to smooth out the market irregularities, first at the consumer level and then, in turn, in the industrial market behind it.

Buying habits can be changed, made more regular. Many sales managers today are finding ways to do just that, through the use of discounts and credit. The air-conditioning industry, for instance, uses all kinds of special inducements to its dealers to get them to buy early and stock their goods ahead of time. It offers liberal credit and such special inducements to dealers as discounts for early purchase.

• **Wider Credit**—In general, the widespread use of credit today represents a major step toward the leveling-out of markets. Major manufacturers, particularly in the farm implement and appliance business, have set up finance organizations with the intent of getting dealers to stock greater quantities of goods to meet demand halfway.

Likewise, credit on the consumer front has played a part in leveling out demand. Without the availability of consumer credit, markets today would have vastly different patterns. In es-

sence, consumers are now able to buy ahead of income.

• **Looking Ahead**—The widespread use of credit has made it possible for people to buy on the basis of need and of future planning, rather than having to wait for the cash before buying. People have committed themselves farther and farther into the future for the purchase of goods. The open-end mortgage, the general extension of long-range credit—these are devices for long-term leveling of sales fluctuations.

Nowadays it is the people in the middle-income brackets, the salaried people who have a fairly assured future, who are the great users of consumer credit. Particularly, they are the young people who are planning to raise families and who need the goods that are chiefly sold on the installment basis: houses, refrigerators, cars, and the bigger appliances.

The guaranteed annual wage might well bring wage earners into the same category, with a similar assurance of future income that would both impel and permit them to borrow against their prospects, too. By the same token, those who marvel and worry now about the amount of consumer credit outstanding would have much greater cause to fret if credit should be doubled or tripled.

II. Production

Probably nowhere has more effort been put into achieving better results than in production. With increasing success, manufacturers are striving to level out their production curve by broadening their product lines to include items whose sales cycles run contrary to others, by planning better and keeping in better touch with demand.

Modern management tends today to depend on market predictions that look beyond the short-run peaks and valleys of demand; then it will take the risk of producing at the optimum long-term rate. Before manufacturers got so curious about what happened to their products after they leave the factory, this kind of operation was unheard-of.

• **Spur of GAW**—Insofar as GAW would goad management into a still greater effort to stabilize production, it would be beneficial to all concerned, some businessmen contend. A vice-president of one of the biggest companies in a big industry told a BUSINESS WEEK reporter this week:

"Fifteen years ago, we thought we operated our plant efficiently. Over the next few years, labor demanded and won concessions. Each of them led to a careful study of our operation that revealed weaknesses we had unconsciously been living with. Each of them brought improvements all along the line

—in procedures and products. I see no reason why the institution of guaranteed employment won't result in the same kind of improvement, once we have it and know we must get along with it."

But in dispute with this man and his calm appraisal are a host of management men who wonder how much more they can do to stabilize production, regardless of who does the prodding—labor unions, stockholders, the government, or the general public.

• **Automation**—The most dramatic influence on production these days is the development of automation. Unions publicly get the shivers over the specter of factories that run without human hands, and the auto union has based its GAW demands partly on the imminence of further automation in its industry.

GAW is necessary, the auto workers say, to regulate "the process of technological change, tending to minimize its disruptive consequences." UAW goes on to say: "It will affect management decisions concerning both the timing and the placement of new automation installations so that those decisions will be tempered by a degree of social consciousness."

The automation issue is argued both ways by labor and management. The auto union sees GAW as forcing management to avoid introducing automation in times and places where mass layoffs would result; management sees GAW as speeding up the use of automation, to cut unit labor costs and to shift the character of the year-round labor force to the highly skilled type of worker that a company always wants on its payroll anyway.

By adding a risk factor to long-run wage costs, GAW would tip the balance in favor of more automation, some management experts think. This, of course, would not necessarily cut total employment—in fact, statistics point quite the other way: Industries such as machinery and autos, which are among the most highly mechanized, have shown great growth in employment over the last 10 years.

III. Government Policy

The government's assumption of more responsibility for maintaining employment at a high level is based on a fundamental change in the thinking of the American people, regardless of politics. People know their government can do various things to ease unemployment, and they expect those things to be done.

The government, through the Labor Dept., has taken no stand on GAW (BW—Mar. 19'55, p176), but some of its devices, such as social security and unemployment insurance, have a re-



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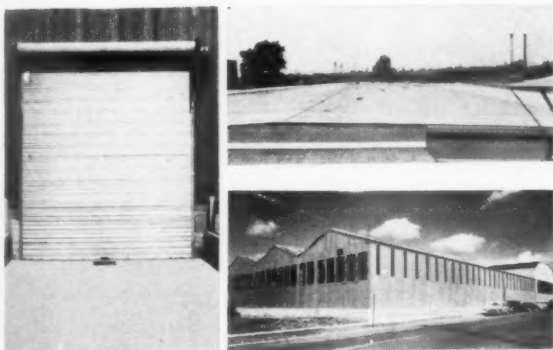
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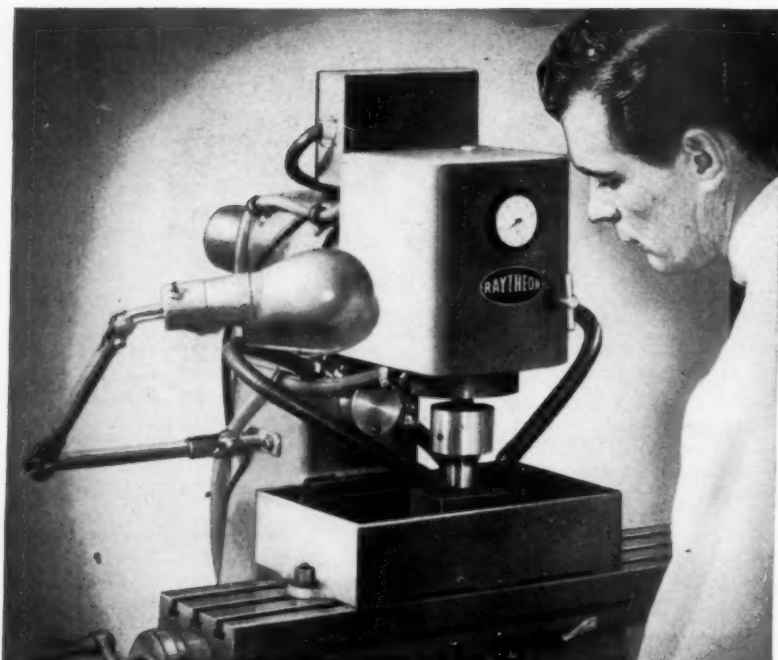


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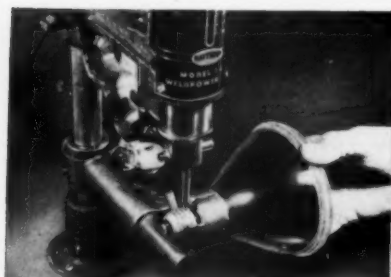
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assuringly automatic quality. Others, such as budget, fiscal, and monetary policy, must be operated according to human judgment, and they still generate much political heat.

Nevertheless, it remains true that some degree of fluctuation in production and employment will continue as part and parcel of the American enterprise system. For, despite the expanded role of government, the production and distribution of our national product is based on the free decisions of private individuals and businesses. As long as we remain a free society, those decisions will never follow a rigid course. The fluctuations that result will be both proof of and cause of our dynamism.

It is one of the main reasons why it is difficult for management to accept the idea of rigidity. The managers of our businesses want to be free to make decisions and they don't want to be limited by GAW or anything else in carrying out their responsibilities.

IV. No Cure-All

Alvin Hansen of Harvard and Paul Samuelson of MIT, for example, question the stabilizing effect of a widespread guaranteed employment plan. They suggest that it might involve business in reduced profits or in losses and might cause offsetting reductions in real income elsewhere—for other workers who weren't covered by GAW, for consumers, for shareholders.

But, although GAW cannot itself insure against fluctuations in production and employment, some economists don't see that as a reason necessarily for rejecting the plan. They say the important point is not that GAW must be rejected for its inability to end the business cycle but rather that the growing stability of the American economy has increased the feasibility of GAW.

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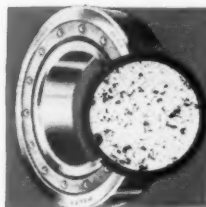
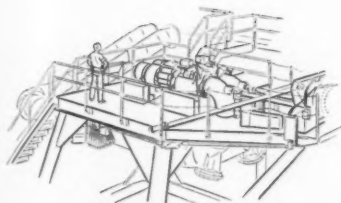
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LOCAL BUSINESS



BUILDER Roy Kelley (right) looks over plans of Reef Hotel, one of several making . . .

Hawaii's Prospect: Extra Beds

HONOLULU—Hawaii, only two years ago, ran smack into a hotel shortage (BW—Jul. 18 '53, p143). Now it's wondering whether it hasn't built itself a surplus.

This year, the island will put the finishing touches on enough hotel rooms to raise its tourist capacity to 140,000 a year. Yet projections, which were only 1% off from actual figures last year, indicate that the most it can expect is about 105,000 visitors. For this year, at least, there seems a strong prospect that 25% of its hotel space will go begging.

Between 1948 and 1954, tourists increased from 36,397 to 91,287. They provided Hawaii's fourth biggest source of income. (The top three sources: military spending, sugar, and pineapples.) This year, if all goes well, the Hawaii Visitors Bureau figures it can count on upwards of another 13,000. But that's still going to leave a lot of unrumpled beds.

• **Waikiki Is Tops**—So far in 1954, one new hotel, the 250-room Waikiki Biltmore, has already officially opened its doors. Another two—the 322-room Reef and the Princess Kaiulani, which

will be slightly bigger than the Biltmore—are slated for June-July openings. With these additions included, Waikiki will have three times as many hotel rooms (about 3,400) by the end of 1955 as the rest of Hawaii combined.

Despite what looks like a case of too many tepees, too few Indians, most hotel men show no signs yet of losing their composure. Edwin K. Hastings, vice-president in charge of Matson Navigation Co.'s hotels, feels that once "those 1,000 new rooms are taken in stride, I think we'll find we need still more." Roy C. Kelley, who is building the Reef, thinks the capacity will already be absorbed by January of next year. He says that talk of overbuilding "is all an idea of the Visitors Bureau to get more funds." Against this, realtor Earl Thacker, one of the few bears along the Waikiki business front, says: "When you get a 45% increase in rooms, you have to worry. I'm afraid property values are going up too high and too fast."

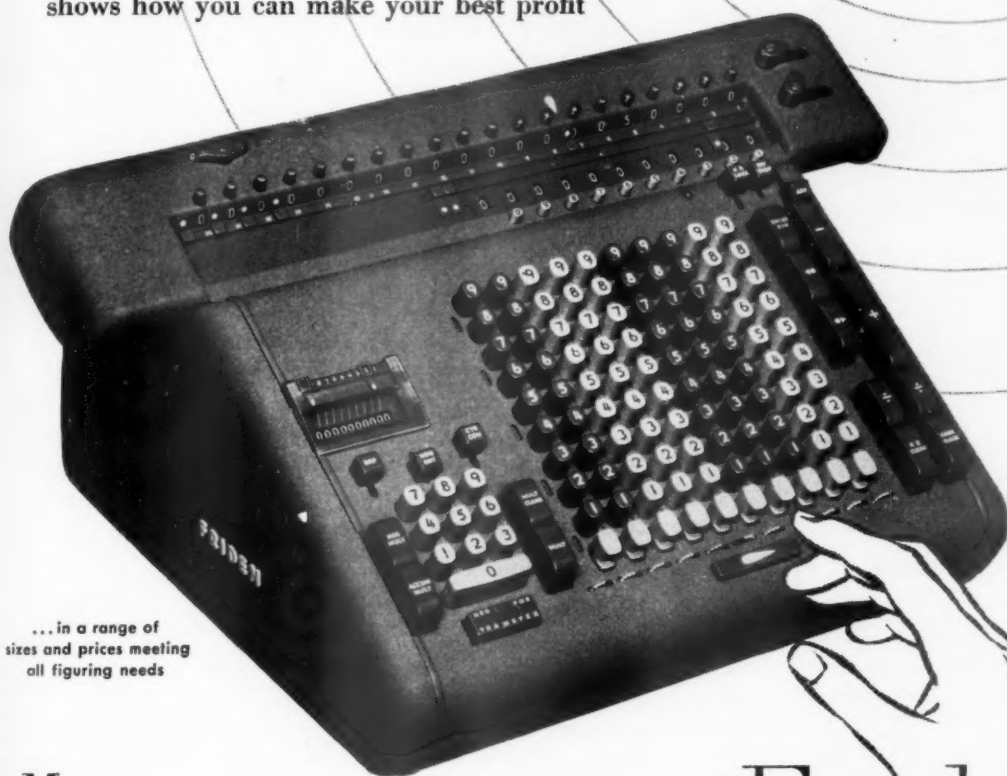
• **Kaiser's Plans**—Meanwhile, whatever doubts people may have, the talk here is coated with expansion. Industrialist Henry J. Kaiser is clearing an 8-acre

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tract at the far end of Waikiki Beach and has said that if he can pick up another 6½ acres, he will build an auditorium and some bungalow-type hotel space. Kaiser has also talked of building a 65-acre island atop a reef off shore at Waikiki where he would put up more hotels and of developing a \$35-million resort at Kona, 170 mi. southeast of Waikiki.

Apart from Kaiser, Clint Murchison, Jr., son of the Texas oilman, and Paul Trousdale, the Los Angeles realtor, have leased 16 acres of land in the very heart of Waikiki.

Port in a Storm

TOLEDO—This city, which has watched its port administration bob like a cork in a whirlpool for the last two months (BW—Mar. 5 '55, p62), now finds itself with two port commissions. The newer one, a blue-ribbon group, has nine of the city's top industrial and civic leaders who give every indication they mean business.

Ever since the passage of the St. Lawrence Seaway Project, Toledo businessmen have been agitating for action to set the city on a course that would lead to a sizable chunk of Seaway business. But the existing port commission—a joint city-county group—seemed unable to get itself off the reefs of disension. On top of this, it had only a meager budget to work with.

• **Two Heads**—Unhappy with the lack of progress, the Toledo City Council finally voted last month to withdraw from the joint commission and set up its own group. The new commission has already begun a review of the city's port study. Completed last year, it has come out in support of state legislation to create a port authority, and has set wheels in motion to take over active direction of port development.

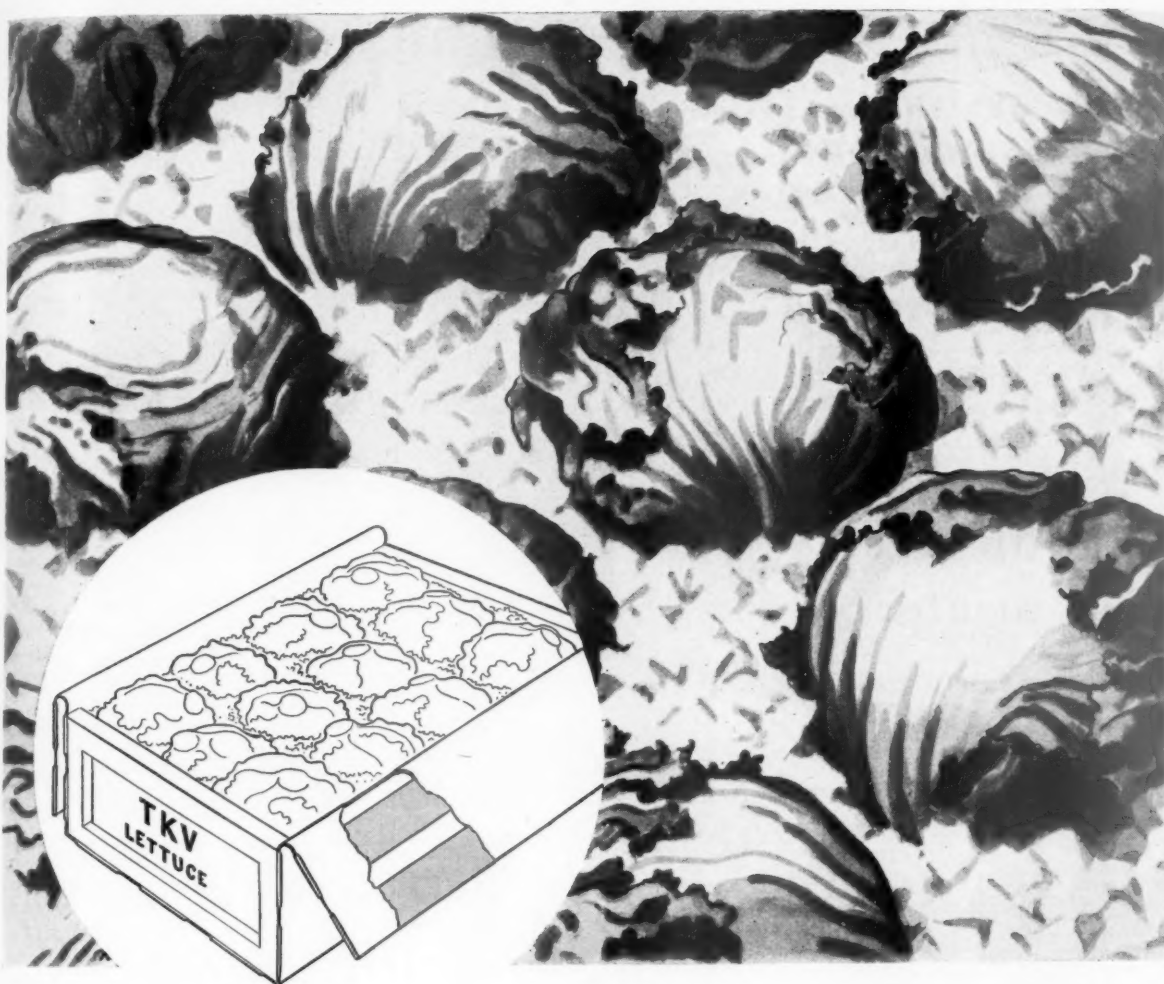
At this point, however, it's a case of two hands on the tiller. The old commission has refused to give up and is going through the motions, at least, of finding a man to head a rate and traffic bureau, which presumably would be integrated into any future port authority.

The Center Gets Going

PHILADELPHIA—After years of complaining, arguing, and planning, Philadelphia has finally taken positive steps to get the gigantic food center it's been wanting as a replacement for the old Dock Street market.

Representatives of the Greater Philadelphia Movement (BW—Sep. 25 '54, p62) last week filed papers to set up a nonprofit corporation to build and operate the center. The new market will spread over 420 acres of South Philadelphia and cost between \$45-mil-

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Newest way to ship lettuce is in a sandwich

Much of the lettuce that goes into your salads and sandwiches today has traveled from farm to store in a new type of shipping container. Its walls are constructed — sandwich style — of two sheets of Kraft paper with strips of thin wood veneer between them. The layers are bonded together by a Dewey and Almy water-resistant adhesive; and the result, at very low cost, is a light-but-strong wall that protects the *iced*, farm-fresh lettuce from bruising and crushing on its journey to market.

Water from the melting ice which refrigerates lettuce in transit would soon loosen ordinary adhesives, but it has no effect on the Dewey and Almy Resin Adhesives used to laminate this container. Dewey and Almy manufactures *specialty adhesives* — formulates them to meet problem conditions. They are used in multi-wall bags, in the bot-

toms of beer cases, in laminated tapes, or wherever two hard-to-bond surfaces must be joined.

Perhaps you have an adhesive problem that Dewey and Almy Resin Adhesives can help you solve. Let us know. We'll be glad to send complete information about them or any of the other Dewey and Almy products listed below.

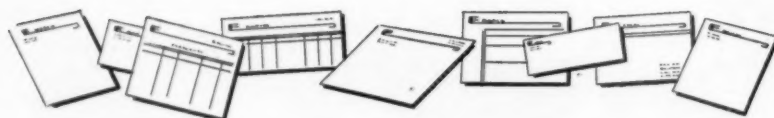


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lion and \$90-million. There'll be space for 491 food and meat wholesalers, now scattered around the city. About 170 of the wholesalers are in the crowded old buildings on Dock and Callowhill Streets, which have been the city's distribution center since 1870.

As plans stand now, the center will have an office building, 15 buildings for wholesalers, a truck service center, two motels, service stations, and a container supply house. Twenty-five business, industrial, and civic leaders have agreed to serve on the board of directors of the new corporation.

Boom Steals the Ball

VANCOUVER, B. C.—Booming western Canada—specifically Vancouver—has taken an institution away from the eastern provinces.

Last week, the Canadian Rugby Union announced it would hold next fall's Grey Cup Game for the professional football championship in Vancouver. The game is Canada's No. 1 sports classic and has not been played outside the East since the cup was put up in 1909. Since 1943, Toronto has held a monopoly as the site for the game.

Vancouver's main lure was the big Empire Stadium, built for last year's British Empire Games. The Rugby Union figures that with Empire's added seats, it may gross \$300,000 from the game, compared with the \$220,000 it got from the gate and from radio and TV rights in Toronto last fall. Toronto's Major Nathan Phillips has complained that Vancouver "pulled the rug out from under us." But Phillips himself has been criticized for not pressing Toronto's bid.



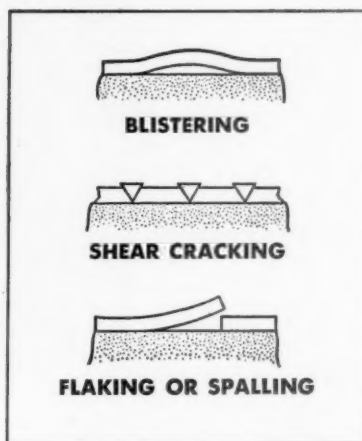
Banking on Horseback

When the Fidelity-Baltimore National Bank & Trust Co. opened a drive-in service, it got more than the automobile trade. Mounted traffic cops gallop up to the window, cash a check, and gallop off—without dismounting.

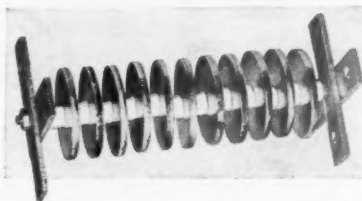


INCO RESEARCH OFFERS HELP

(Left) One phase of the search for answers to high temperature questions is the continuing work on new INCO Nickel Alloys. Here INCO metallurgists pour an experimental melt from their laboratory radio-frequency induction furnace. The resulting alloy may be a new solution to some of the unanswered high temperature problems facing engineers today.



Breakdown of oxides by blistering, cracking or spalling can cause rapid destruction. As the oxide layer breaks away, it keeps exposing fresh metal to further attack until its strength is wasted away. This type of failure can be avoided by using an alloy that resists the corrosive action at high temperature and protects itself with a tough adherent oxide.



Which of these metals will solve your problem? When INCO's High Temperature Engineers do not have a ready answer in all their amassed information, they make use of a test rack like this. After exposure to high temperature corrosion under actual service conditions, a direct comparison of the different samples indicates which metal or alloy may solve your particular problem.

What causes high temperature failure?

Strange reactions can take place when metals are exposed to high heat.

Even common soot and the air itself become destructive corrosives that can disintegrate a metal and waste away its strength.

High Temperature Corrosion

The more these reactions are studied, the more evident it becomes that the damage caused by high temperature corrosion is one of the most serious reasons for metal failures.

No single metal or alloy can resist all these corrosive conditions. For 20 years Inco metallurgists have been experimenting with controlled compositions of metals . . . searching for the answers to the problems posed by expanding temperature frontiers. From this work have come such strong, heat-

resisting alloys as Inconel and Inconel "X," Incoloy and the Nimonic Alloys.

Have metals reached their limit?

Inco metallurgists think not. Who knows what future research programs may reveal?

Do you have a problem involving high temperatures? The solution may already be in the files of Inco's High Temperature Engineering Service. If not, our engineers will be glad to work with you to find it. Write for a "High Temperature Work Sheet" to help you outline your problem for study. After that it is up to us. There is no obligation on your part.



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Up there fearsome and terrible things can happen!

Here on good old Mother Earth our bodies are accustomed to great pressure from the weight of the vast sea of gases above us. So sensitive are we to any change in altitude that even a ride in an office building elevator sometimes makes our ears pop.

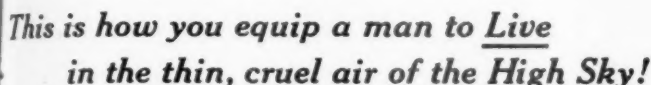
You can well imagine what the problem is at 70,000 feet and higher where our latest rocket planes fly.

First we have to make oxygen gas. There's not

enough room any more in military planes to carry bulky gaseous oxygen tanks. The new Bendix Liquid Oxygen System makes large quantities of this vital gas from a small container of liquid oxygen. It saves much space and weighs far less.

Next we have to regulate the flow—see that the man gets it in just the right amounts because too much is as bad as too little and his requirements change as he goes up.

Now the going gets rougher. Even though you are giving him pure oxygen, a man isn't physically able, at extreme altitudes, to gulp in all he needs. So this Bendix System has to *pressure* pump oxygen at the *correct* pressure into his lungs and through the membranes into the blood stream. At the same time, to keep him from literally blowing up, it applies equal



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The Bendix Liquid Oxygen System is made by our Pioneer Central Division, Davenport, Iowa. It is one of many systems Bendix has developed and is producing now which solve some of the complex problems our military forces are faced with these days. For more about Bendix we invite you to write for the brochure "Bendix and our Business."

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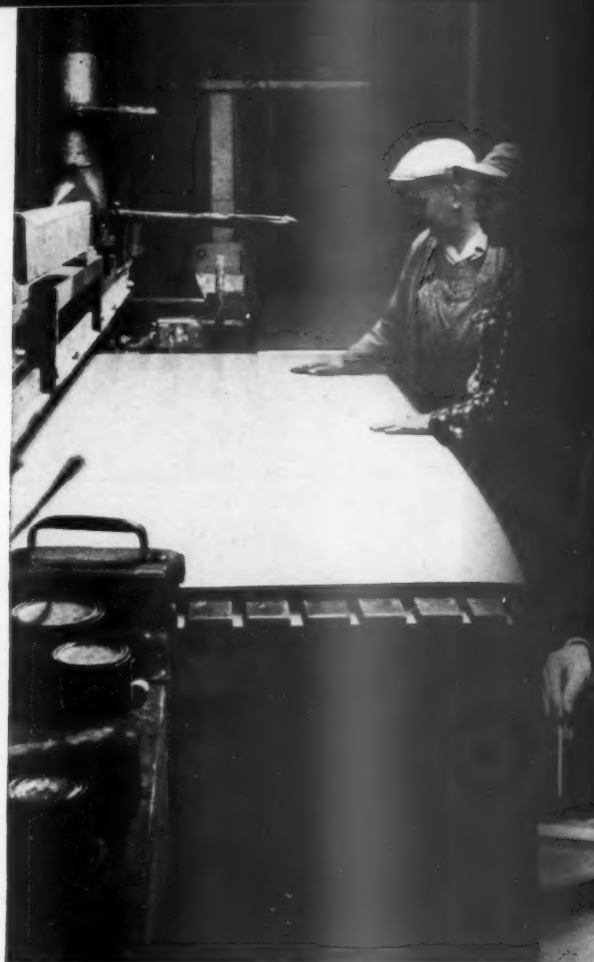
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MANAGEMENT



GIVES ORDERS Alfred Anderson has been president of Puget Sound Plywood for 10 years. It's one of the plywood plants where every man is a stockholder.



MAKES PLYWOOD Like the rest of the worker-owners, Anderson works in the shop. He was elected by a worker-owners' board.

Like His Fellow Workerste

This year, employee-owned mills like the one pictured above will produce over 25% of the nation's fir plywood. That figure will represent an all-time high for this Northwest industry, whose peculiar twist is putting a growing number of men on production lines in plants that they—as stockholders—own.

There's nothing quite like it outside the plywood industry. The development has been picking up speed since 1948. In 1950, for example, only 15% of the industry's production came from worker-owned plants. Right now, it's 22%.

If all goes according to plan, this soon will nudge up toward 25%, when Vancouver Plywood Co.—one of the oldest in the business—sells its Vancouver, Wash., mill to a newly formed worker-owned corporation, Fort Vancouver Plywood Co. The deal, which is pending Security & Exchange Commission action, involves \$2-million—

\$800,000 cash and \$200,000 in annual installments.

A couple of other worker-owned corporations also are in the process of formation. These are in addition to two others formed earlier this year. Today, 21 of the industry's 97 plywood mills are owned by the workers.

I. What They Are and Why

The scope of these worker-owned plants isn't the only thing that sets them apart from the rest of U.S. industry.

Unlike the co-operatives—which have had a major growth, especially among farmers—the plywood companies are similar to any other corporation except that the workers are the stockholders. A worker buys a share in the corporation and with it acquires the right to work. Because of that, the mills are sometimes called co-operatives—espe-

cially by their enemies—but that is considered unfair since it popularly implies taxfree income. Actually, they do pay state taxes and federal income taxes. They have their odd characteristics—in management, labor relations, marketing, taxation—but legally at least they are profit-making corporations.

• **Early Start**—These worker-owned plants had their start back in 1921, early in the history of plywood. A group of Finns, Swedes, and Norwegians—remembering the co-ops of their homeland—banded together to form Olympia Vencer Co. About 100 of them put up \$500 apiece, later another \$500. They went without pay for a time, but by the middle of 1930s the enterprise was a glowing success.

Gradually, the original stockholders retired or died, and Olympia bought back their shares. It changed its name to Associated Plywood Mills, Inc., became a near-normal corporation, and



TAKES ORDERS Even though he's the boss, Anderson talks over production problems with foreman before making decisions.



PUNCHES CLOCK Anderson's pay—identical with other workers—is higher than in a conventionally owned mill, because he has a stake in the business.

He's an Owner, Too

last year was bought by the conventionally owned U.S. Plywood Corp. for \$15-million through an exchange of stock. There were 69 blocks left of the original 110. This means that the original investment of \$1,000 (plus sweat, toil, and payless paydays at the outset) was worth around \$217,000 when the chips were cashed. In addition, each investment of \$1,000 drew dividends averaging close to \$7,000 a year in each of the last five years before sale to U.S. Plywood.

• **A Trend**—Success like this attracted imitators. Many failed. Some were organized by sticky-fingered promoters. Lately, federal and state authorities in Washington, Oregon, and Northern California have been cracking down on the abuses. By 1942, there were only six going concerns. But in the postwar years, they blossomed with the housing boom.

Today—with the industry still going

strong—a new development is under way. Mills once privately owned, like Vancouver Plywood, are being converted to worker-owned corporations.

One of the reasons for the trend is that a lot of owners are concerned about inheritance taxes. With no fixed market value for their companies, federal taxes upon the death of an owner can be high enough to require a sale to pay for taxes.

On top of that, some owners are fed up with labor unrest and what they consider low productivity. But they watched worker-owned mills operate right through last summer's 12-week strike.

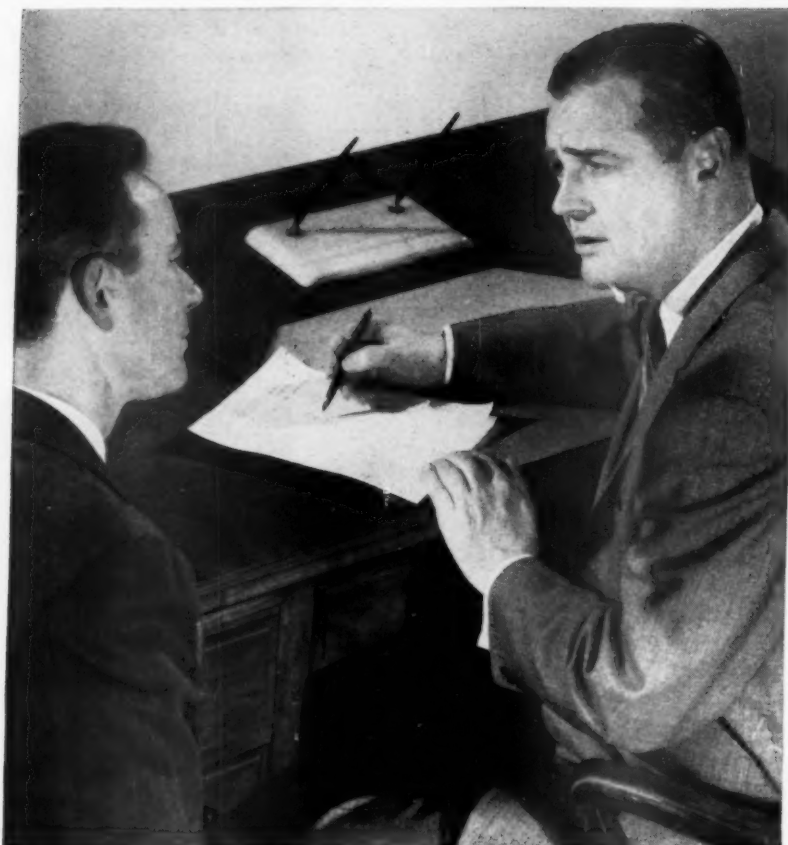
So they figure they can sell the mills, keep an interest in them through installment-purchase arrangements, and—in addition—keep the sales and timber-owning end of the business. That way, they get rid of the production headaches and—by putting some sort of

fair market value on their property—much of their bothersome inheritance tax problem.

• **No Precedent**—Few think of the worker-owned mills as setting any precedent for other industries.

The plywood industry is peculiarly fitted to the arrangements. Workers generally have similar interests and backgrounds. Plants and investment per man are fairly small—a 4-million sq. ft. per month mill would take 200 to 300 men and cost maybe \$24-million starting from scratch. Besides, for 15 years plywood has been a production industry. Sales can be jobbed out. The product is uniform. Brand names and styling are at a minimum. By joining the Douglas Fir Plywood Assn., a mill can use nationally established grade-marks and benefit from industrywide promotion.

With output the key, productivity becomes paramount. On that score,



“WOW! What happened to our labor cost on this run?”

How many times—and how recently—have you asked this question? It's a good one, with a lot of possible answers. The important thing is, can these skyrocketing costs happen again, or have the causes been corrected? Often the answer is very simple—and easily remedied.

Could this be your answer?

A batch of castings or forgings with cracks that nobody found until costly hours had been wasted machining and finishing them... a heat treat that went sour... improper grinding, handling, cleaning, all are possibilities, and all can vary from run to run.

Cracks, whatever the cause, run up your labor costs if you don't find them *early* enough. Early enough

to find and correct the cause before parts are run and finished in quantity, only to be scrapped.

Inspection is low cost with Magnaflux' Methods and it finds all cracks... helps you find the cure. It can save you many times its trifling cost.

Ask to have a Magnaflux engineer give you the facts and figures—or write for new booklet on **LOWER MANUFACTURING COST.**



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there's no question that worker-owned mills deliver the goods.

II. How They Organize

Essentially, the worker-owned corporations are built around a plant—or perhaps two or three plants. There are numerous variations in ownership written into the charters of these companies or co-ops. In some, like North Pacific Plywood, Inc., Tacoma, every worker owns a share of stock (or a working unit of stock, which may consist of two or more shares). In this case, you buy your job by buying stock, although in most instances there's no absolute job guarantee that goes with each share.

Other mills are set up like Mutual Plywood Corp., Eureka, Calif., with 205 stockholders who work, out of a total of 404 employees. The difference consists of union men employed to complete the work force. In other cases, like Anacortes Veneer, Inc., some who own stock don't work, but such arrangements are less common. Ordinarily a person can own only one share of working stock.

The wage pattern, though, is consistent—and high. Among the older and well-established mills it runs anywhere from \$3 to \$3.50 an hour—against a union minimum of \$2.17. Under present conditions of a six-day week with its premium pay, worker-owners haul down about \$180 a week.

What's more, they all get identical pay no matter what they do—from the sweeper to the superintendent to the president. If non-owner men are hired, they usually get union scale or 5¢ an hour more, but they never get the same pay as the worker-owners. You don't hear the terminology used, but in effect there are first-class and second-class workers—and it makes the unions mad.

• **Division**—You get some idea of just how first-class the position of worker-owner is by the price being paid for shares in going firms.

To get the bigger pay, you have to own stock. So that makes the stock valuable and sought after. Among older mills, you find examples where stock has gone for as much as \$20,000 to \$25,000 a working share. The original price may have been \$1,000 to \$2,000.

Take the case of North Pacific Plywood. It was started in 1949. Workers put up \$2,000 for each working share—\$1,000 cash and the other \$1,000 at the rate of 10% from each month's pay. At first, the wage rate was the industry average of \$1.60. In four months it went up. Today it is \$3 an hour. Stock that cost \$2,000 in 1949 has sold for around \$14,000.

When a man dies, the mill usually has the first right to buy his stock—that's what happened in the Associated



THIS MAN IS GOING TO A FIRE!

He thinks he's going to his office — as usual. But at this minute his office is a roaring mass of flames! Before he arrives it will be completely gutted!

Fire Insurance? Sure — well covered. But that fire's going to put him out of business! You see he never knew that nearly half of all businesses that *lose their records* to fire never reopen their doors! Worse still, he didn't realize how securely (and economically) vital records

can be protected right at their point-of-use in Remington Rand insulated equipment.

If this had been your fire would *your* vital records have come through? Some 200 models of Remington Rand *certified* insulated equipment provide a choice to meet every need in your office. Get full particulars NOW. Ask for SC684 — "Down But Not Out" . . . Remington Rand Inc., Room 1404, 315 Fourth Ave., New York 10.

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Experts Mechanize to Cut Crating Costs

Experts in boxing and crating industrial merchandise, Barkow Mfg. Co., Milwaukee, are leaders in growing trend toward use of Delta Power Tools to mechanize a traditionally slow, costly, hand operation. Result: lower costs, better crating. Shown above are Rockwell-built Delta Unisaw® and Radial Saw working as a

ripping-cross cutting team, the core of efficient shipping department mechanization. Other power tools used by Barkow and other crating experts: Delta band saws, drill presses, jointers. For details on power tool economies, write: Delta Power Tool Division, Rockwell Mfg. Co., 540D N. Lexington Ave., Pgh. 8, Pa.

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NEW ⁴⁰page VIKING Engineering Manual

A new 3-part, 40-page engineering manual including Viking rotary pump fundamentals, the 10 steps in selecting a Viking pump, and a special engineering section will help you in choosing the right rotary pump for your job.

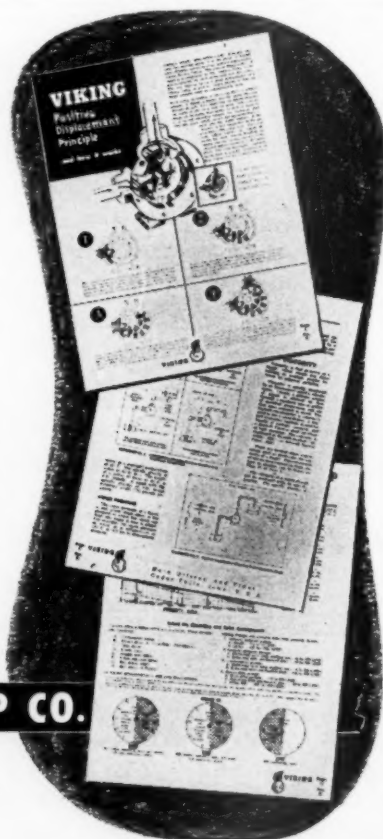
This manual is free upon request.

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See our catalog in SWEETS



Plywood case—but it isn't common practice. More often the estate or individual finds a buyer and dickers. If the amount is all cash, the price will be lower. If it's \$1,000 down, say, and the balance over several years, the price is higher.

During the boom in plywood, original shares have climbed to a \$2,000 average. In the Vancouver Plywood deal, the worker-owned corporation plans to sell 397 shares of common stock, if SEC approves, at \$4,500 a share.

III. Worker Management

There's nothing phony about the workers actually being the owners with final say. Generally, the worker companies hire an outside manager to run the plants. He doesn't own stock, but draws anywhere from \$25,000 to \$35,000 a year salary. He's boss—up to a point.

But in the end, it is the workers themselves who dictate policy. They elect directors or trustees, who in turn name officers. These men get no extra pay, and they continue to do their jobs—at a lathe, a sander, a patching plant (pictures, page 120).

The manager will make recommendations, but it is up to the board to buy a piece of machinery, certain timber lands, or change basic marketing or financial policies. They make business decisions like any other board.

Some managers, though, are tough. One became known in the plant as "the dictator." In time he left to start his own mill, but now he recalls: "I ran the show regardless of the board, and at one time I had a majority against me. They would vote, but I would say, 'This is it, or out I go.'"

His type is disappearing, but good managers are not easy to get. The best ones are known throughout the industry, are sought after, and thus can wield a good deal of authority over the directors.

• **Exceptions**—How well a company is managed usually depends on how long it has been in business. Older firms are more stable, but even here you find horrible examples. One man who attended a meeting of stockholders of a long-established plant says he couldn't understand how a corporation could be run the way this meeting indicated and last.

This mill has had a turnover of managers. It also recently created new positions for a sales manager, a log buyer, and a superintendent, all of whom report not to the manager but to the board.

At the meeting there was booing, clapping, catcalls, and cheers. Nothing like it outside a revival meeting. The worker-owners gasped when the ac-

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countant said that productivity per man was down, even below that of some of the best private mills. One man jumped to the stage and shouted: "We'll make her roar in March," and shook an arm to prove it. There were cheers to back him up.

At another point, the sales manager was put on the spot. He had taken a rather substantial order for an off-size plywood panel, 3 ft. x 8 ft. How come, he was asked? Workers can't get top production out of odd sizes.

Actually, in the plywood business—like most others—you have to take some of this kind of business to nail down big orders in preferred sizes. That wasn't explained—so the sales manager remained in the dog house.

IV. Success and Failure

Just the same, there are good reasons why worker-owned plants have been successful.

Chief among them is the productivity they attain.

Frost Snyder, head of Vancouver Plywood, put it this way when he announced he was selling to his workers:

"They get a good deal higher production per man hour, so when we figured ways to increase our production, we decided to let the workers buy the mill."

Just how much more productivity depends on the mill, but it will run anywhere from 18% to 25%—even higher. Today, this generally higher output is a sore point for conventional plants. In effect, the worker-owned plants carry incentive pay to its ultimate: Every man knows that the more he produces the higher the plant's profits and hence his pay and stock-owning equity.

Beyond that, the worker-owned plants get better recovery of veneer from logs, production workers are on the lookout for feather-bedding, they come up with cost-cutting suggestions, and turnover is reduced. The latter can be important particularly in new areas with insufficient or unstable labor supply.

• **Soft Spots**—With all this, there are major problems that cause failures even in today's ready market.

Timber supply is one, probably the most important. Many of the plants are young and came into being when timber was scarce and high in price. They depend on current supply, have to bid at auctions above the point where they can break even.

Then there is sales. Some run into real headaches when they try to take over this end of the business. You can't generalize, though, since others like Puget Sound Plywood, Inc., (pictures, page 120) have built up their own nationwide organizations—now function



FACTS
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SHIPPER
SHOULD
KNOW

**Close doesn't count
in high jumping
...or shipping!**

Your product and the high jumper both have to make it safely *all the way*.

Call on Fort Wayne's wealth of specialized experience to produce the corrugated container that will *take* your product all the way, clear those shipping hazards, take off and land with money-saving safety. It won't be *almost* good enough... it'll be *right*. We'll welcome your inquiry.

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Corrugated Fibre Boxes • Corrugated Paper Products





Forming the above Special Phillips Truss Head in two blows presented a difficult upsetting task. This was successfully accomplished when the manufacturer specified Keystone "Special Processed" Cold Heading Wire.

The uniform grain flow properties of "Special Processed" Wire provided the desired upsetting and die forming qualities necessary to form the thin head section without distortion or cracking. The structural soundness and uniformity of "Special Processed" Wire further proved itself by trouble-free machine operation, longer die life and a finished product of the highest quality.

Next time you have a difficult cold heading job, try "Special Processed" Wire. See your Keystone representative or write for more information.



pretty much like a normally operated company. Still others tied themselves to solid organizations like U. S. Plywood.

But there is head-shaking about some worker-owned plants that neither have built their own sales organizations nor have a tie-up with a major distributor. They can easily be caught in a soft market.

Workers that plan to buy the Vancouver Plywood mill have apparently licked both timber supply and sales problems. They'll take only the mill. Vancouver Plywood Co. keeps its timber lands and its national sales network—which handles both its own output and 90% of another worker-owned mill. The new worker-owned company will get first call on the timber and will turn over its output to the old company for sales at a 5% commission, normal in the industry.

This pattern is becoming common as privately owned mills convert to worker-owned status.

V. Antagonists

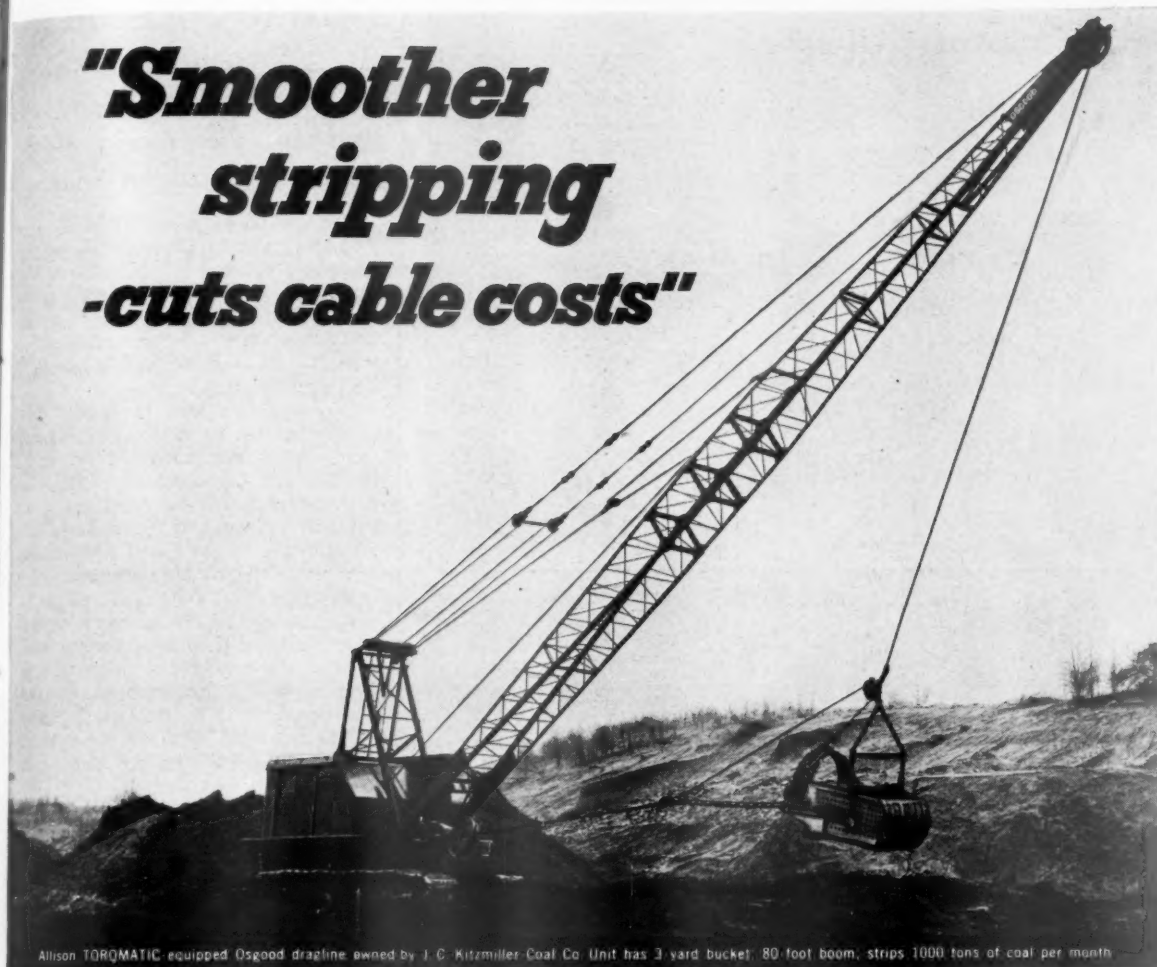
Two groups are bitter enemies of the worker-owned mills. First, such conventional companies as M & M Wood Working Co., Portland, a big independent (BW-Feb.16'52,p122), worry about their high productivity. They fear workers in newer, underfinanced mills may start vicious price-cutting—by slashing their own wages—in case of a real industry shake-out.

On the other hand, big companies like U. S. Plywood have learned to live with and make use of the worker-owned companies. U. S. Plywood, in fact, helped rescue one of the now highly successful mills, Mutual Plywood Co., by advancing it money at a time when U. S. Plywood could have let it go through the wringer and then taken over lock, stock, and barrel. Now, it handles all of Mutual's output.

• **Protest**—The other bitter group is organized labor. Unions call the mills places where you have to "buy yourself a job—a sort of peonage." They also fear overexpansion and wage cutting in a soft market.

Then, too, unions rankle at the high wages. There is some talk of whether these wages are not, in fact, hidden dividends. The Internal Revenue Service is on the lookout for such cases. A worker-owned mill usually pays little in dividends, so the question is: Should some of the money paid out in high wages—which is tax deductible as a business expense—be considered income to the corporation, rather than worker earnings? IRS makes no general rules, but watches each case separately. If productivity is appreciably higher, then you can argue that the higher wages are earned income—not hidden dividends.

"Smoother stripping -cuts cable costs"



Allison TORQMATIC equipped Osgood dragline owned by J. C. Kitzmiller Coal Co. Unit has 3 yard bucket, 80 foot boom, strips 1000 tons of coal per month

AFTER 2,000 hours of low-cost strip-mining, veteran mine owner J. C. Kitzmiller reports "smoother stripping — reduced cable cost" due to shock-free power transmission in his Osgood dragline. The savings he's made with his Allison TORQMATIC Converter have made him decide to specify Allison TORQMATIC DRIVES in future equipment.

He's spending less for cable replacement in his Osgood dragline because the TORQMATIC Converter protects cable by absorbing sudden shock loads.

He's spending less for dragline repairs, too. The TORQMATIC Converter gives the operator time to cut off power—"throw out the drag"—when the bucket hits a snag, guards boom and drive line from harmful overloads.

And he's getting more work from his drag because with fewer repairs it stays on the job *earning* money—out of the shop *costing* money.

The TORQMATIC Converter matches engine power to load

demand, helps prevent harmful engine lugging and stalling. It multiplies engine torque up to 3½ times—broadens the engine's effective horsepower range.

When load demand is equal to, or less than, engine torque the Allison TORQMATIC Converter acts as a fluid coupling to conserve fuel, boost engine life. This feature is standard equipment in every Allison Converter.

You can produce more for less with shock-free TORQMATIC power transmission in your 40- to 400-horsepower gasoline or Diesel equipment. Ask your manufacturer or dealer about TORQMATIC DRIVES in your equipment or write for more information to: Allison Division of General Motors
Box 894B, Indianapolis 6, Indiana

ALLISON TORQMATIC CONVERTER

Simple Design — one-piece cast converter elements — minimum maintenance

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Designed for power applications in the 40 to 400 horsepower range

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Compact, efficient hydraulic drives for Cranes * Trucks * Tractors * Scrapers * Shovels * Drilling and Servicing Rigs



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How to Succeed...

... leads to a problem of how to stay happy at the top, the Young Presidents Organization finds.

By the book, membership in the Young Presidents Organization means you run a business grossing at least \$1-million a year and have hit the top by the time you are 39. Judging by the YPO's activity, a further qualification would seem that prospective members be ruggedly introspective.

You get this idea by noting that about two-thirds of YPO's submit yearly to a detailed survey of their backgrounds and businesses that's far more penetrating than most older and more cautious heads might feel was safe. As a result, the figures give a good insight into today's small businesses.

• **Best Use of Time**—This year, as in earlier surveys, YPO members repeatedly identified their most pressing concern as the problem of using time to best advantage. For example, the survey showed that respondents increased their work week from 50 hours to 53 hours, and 14% averaged more than 63 hours.

To help find out why, YPO's were asked in effect: "Last year, what was the most crucial part of your job?"

The results (announced in Phoenix last week at the YPO Annual School for Presidents) confirmed most previous findings. The largest number of YPO's answered that their crucial incidents (probably aggravated in smaller businesses) involved hiring the right key executives and firing those who failed.

Most YPO members got their jobs by being doers rather than theorists. They find it hard to accumulate quickly the knowledge of men and motivations that they need in filling out their management team with top-notchers. Thus, the Young President slaves away trying to do everything himself, and he soon runs out of time. Said one YPO-man in the throes of a series of 12-hour days: "I seem to spend most of my time greasing the newest squeaking wheel, ironing out the latest emergency. I lack the positive control over my own time that I should have."

• **Getting to Top**—The survey also dug into the record of how men get to the top by age 39. Some 53% got to be presidents by starting their own businesses, buying control, working their way up, or coming from other jobs where they had good records. Of the rest, 44% admit they head family-owned businesses, and 3% cheerfully confess they married the boss's daughter.

memo
to a
busy
man...

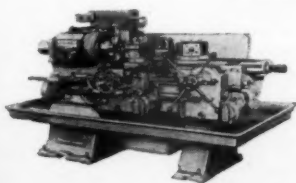


You are undoubtedly aware that machine tool replacement would improve your production. But do you realize *how much*? Here's an example of the savings attainable by those who need new machine tools *and are doing something about it!*

We recently demonstrated to a manufacturer that 92 of his lathes could be replaced by 51 new J&L turret lathes, with these results: a reduction of 82,000 direct labor hours and gross savings of over \$400,000 per year, and greater work accuracy at lower cost.

Scale these savings to your own operation, and you're bound to decide that results like this just *can't* be ignored. Particularly now, when a variety of financing plans makes new J&L equipment so easy to acquire. Write today for J&L's Machine Tool Replacement Information Kit.

*the man who needs a machine tool
... is already paying for it.*



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Questions and Answers on Electric Power in South Carolina

- ☐ **Q. Are there ample power facilities for my industrial needs?**

A. 36 power generating stations serve South Carolina industry with an annual capability of more than 4 billion kilowatt hours. A new \$45 million generating plant with a capacity of 250,000 KW. is to be available in 1955.

- ☐ **Q. Can additional power be provided?**

A. At present, South Carolina's power producing capacity is ahead of requirements, and a network of transmission lines blankets the state to carry power to industrial sites. Future plans include other power projects to take care of increased industrial demands.

- ☐ **Q. Are power companies privately or publicly owned?**

A. Nine privately owned companies and three publicly owned power systems, together with more than 20 REA financed electric cooperatives, make abundant electric power available almost anywhere in South Carolina.

- ☐ **Q. Is the power company's attitude cooperative to new industry?**

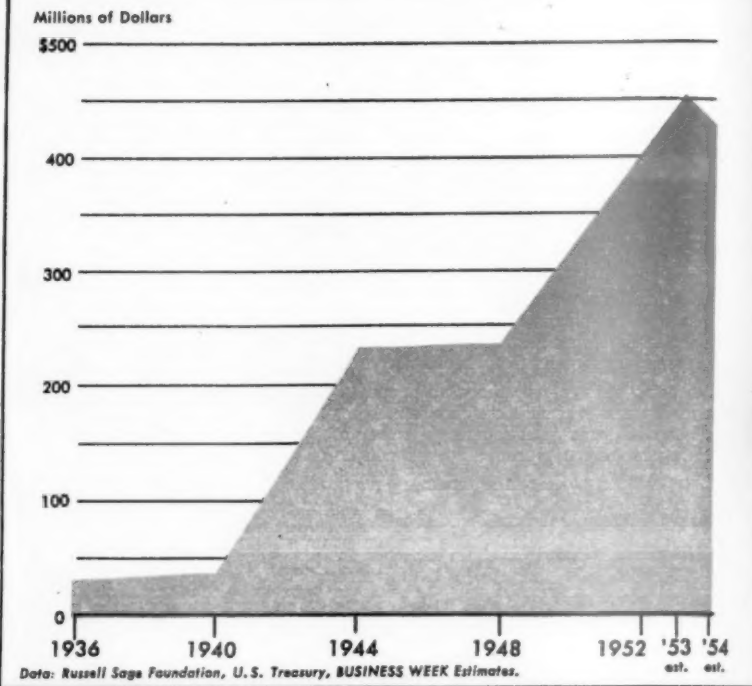
A. Definitely yes. Power companies are eager, as is the entire state of South Carolina, to welcome new and diversified industries to the state. Rates average 30% lower than other areas of the country.

Write for "South Carolina on the March", a survey of 10 years of progress in South Carolina.

State Development Board
Dept. BW-4, Box 927
Columbia, S. C.



Corporate Donations



Bigger Role in Fund-Raising

Colleges need more support from companies, one management conference is told. Another conference argues the pros and cons of company-sponsored foundations.

The chart above shows what has happened since the Revenue Act of 1955 made it legal for corporations to take income tax deductions for contributions to charity and education. From \$30-million in 1936, the first year under the new rules, corporate philanthropy has zoomed close to the \$500-million mark.

Today, these corporate gifts play a part in every kind of fund-raising. They may be beamed at a one-shot drive in a single community, or they may contribute to a whole series of nationwide campaigns.

In the broad picture of philanthropic giving, however, they don't bulk so large. Last year, the \$375-million contributed by corporations was a small part of the nation's estimated \$5.4-billion total contributions. It didn't come anywhere near the maximum of 5% of income that corporations are allowed to deduct in their tax returns. In fact, the nearest approach was back in 1945, when companies gave 1.24% of their income.

• **New Problems**—In the minds of management, there is generally no question that corporate philanthropy is a good thing. The questions today run more along the lines of how much to give, how best to do it, how to guard against being imposed upon by fund-raising rackets.

At two conferences in the last couple of weeks, spokesmen for business had a chance to discuss their views of the problems with representatives of educational and charitable fund-raisers. Both conferences were aimed at bringing some kind of order into the irregular and random solicitation and giving that leave both donor and donee unhappy.

• **Two Meetings**—Last week's three-day conference at Columbia University's Arden House, Harriman, N. Y., concentrated on company policy regarding gifts to higher education. Executives of about 50 major corporations attended the session, which was sponsored by Columbia's graduate business school and the Council for Financial

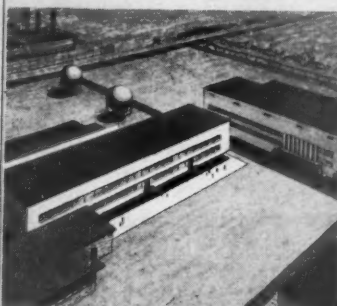
The Wonder Plastic ... a Great New Source!



BUSINESS

MONDAY, APRIL 19, 1949

National Petro-Chemicals Opens Polyethylene Plant



NEW PLANT in "Petro" Group

Tuscola, Ill.,—Production of polyethylene, the wonder-plastic, is now under way at the recently completed unit of National Petro-Chemicals Corporation. The plant is a 60% owned subsidiary of National Distillers Products Corporation. Initial production rate of the plastic resin is expected to be 26 million pounds per year. Located next to "Petro's" ethylene unit, which supplies the raw material, the polyethylene plant will help meet the nation's increasing demand for this remarkable plastic.

From food packaging to plastic pipe, from handy squeeze bottles and unbreakable dishes to children's toys... polyethylene's myriad consumer and industrial uses are increasing every day. Odorless, tasteless, and flexible even at low temperatures, this wonder-plastic also resists most corrosive chemicals.

This month National Petro-Chemicals Corporation, a 60% owned subsidiary of National Distillers Products Corporation, starts production of polyethylene resin. The product, trade marked "Petrothene", is marketed

by the U. S. Industrial Chemicals Co., Division of National Distillers, for use as a raw material by the plastics industry in a wide variety of industrial applications and for hundreds of products for household use.

Polyethylene consumption is growing so rapidly that experts predict it will become the first billion pound per year plastic. To secure National's place in this growing market, the

polyethylene plant has been designed for future expansion to several times its original capacity.

Making "Petrothene" is only one of National Distillers' diversified activities, which include production of other important petro-chemicals, solvents, intermediate and industrial chemicals—as well as many fine distilled beverages, some of which are listed below.

National Distillers Products Corporation

NEW YORK 16, N. Y.

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BELLOWS PARTNERS CHOICE · BOURBON DE LUXE · BOND & LILLARD · OLD HERMITAGE · DeKUYPER CORDIALS

OLD GRAND-DAD, OLD TAYLOR, OLD CROW, KENTUCKY STRAIGHT BOURBON WHISKIES, BOTTLED IN BOND, 100 PROOF. • PM BLENDED WHISKEY, 65% GRAIN NEUTRAL SPIRITS, 86 PROOF. • OLD SUNNY BROOK KENTUCKY WHISKEY—A BLEND, 65% GRAIN NEUTRAL SPIRITS, 86 PROOF. GILBEY'S DISTILLED LONDON DRY GIN, 100% GRAIN NEUTRAL SPIRITS, 90 PROOF. • BELLOWS PARTNERS CHOICE WHISKEY—A BLEND, 60% GRAIN NEUTRAL SPIRITS, 86.8 PROOF. • HILL AND HILL, BOURBON DE LUXE, BOND & LILLARD, OLD HERMITAGE, KENTUCKY WHISKIES.

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closes itself . . .
pays for itself**

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Automatic DOOR OPERATOR

A few minutes can save you many valuable hours of production time! An NP Stop Watch Survey, made in your plant, will prove that ECONOMATIC AUTOMATIC Door Operators can greatly reduce the manhours now spent in materials handling.

The ECONOMATIC actually pays for itself in 2 to 3 months! In addition, it eliminates door damage, improves temperature and humidity control, provides positive fire door protection.

Write today for complete information. NP also makes SUPERMATIC — the automatic door operator designed for the modern store front.

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Salem Dinnerware Premiums work for any business. We tailor-make a premium suited to your operation. Don't wait! Investigate! Today!

SALEM CHINA CO., SALEM, OHIO

See CLUES on page 186

**"... company foundations
will continue to spring up
as devices for channeling
gifts . . ."**

FUND-RAISING starts on p. 130

Aid to Education, headed by Wilson M. Compton.

The earlier two-day National Conference on Solicitations in Cleveland ranged more widely in the field of philanthropy. It was attended by 300 delegates of companies, charitable groups, and fund-screening agencies.

Neither meeting had any quarrel with the increasing need of colleges for financial support from business, and both meetings agreed that company foundations will continue to spring up and grow as devices for channeling corporate gifts (Special Report, BW—Jun. 19 '54, p. 166).

• **Academic Aid**—At the Arden House conference, businessmen were told that more than half of all private colleges are operating in the red, despite company gifts that amounted to \$70-million in 1953.

A survey of 367 companies by the Council for Financial Aid to Education reveals that 45% of the companies make gifts to colleges for general maintenance purposes. The trend toward unrestricted gifts to the general treasuries of colleges has been encouraged in the last couple of years by action of such companies as Union Carbide & Carbon, General Electric, General Motors, and Jersey Standard (BW—Jan. 8 '55, p. 128).

There was added significance to the Arden House meeting since mostly large corporations were represented. The potential source of funds from this area is much greater in relative terms and absolute dollars.

Latest figures are for 1951. They break down this way: according to size of business, companies with assets under \$1-million gave 1.37% of their net before taxes; those between \$1-million and \$100-million gave 1.02%; and those with over \$100-million gave only 0.43%.

No firm commitments for giving to higher education on a larger scale came out of the Arden House meeting, but many executives said they were impressed with the colleges' need.

• **Foundations**—Agreement on the value of corporate foundations was much less in general. Foundations were discussed both at Arden House and in Cleveland.

At Arden House, the Council for Financial Aid to Education cited its 367-company survey to show that 36% already have company foundations and another 10% are either setting them up

now or plan to do so. At Cleveland, nearly 20% of the companies represented said they have foundations.

The idea of foundations was pushed by Beardsley Ruml and others in a time of a high tax rate on excess profits. It was a way a corporation could divert to charitable projects some of its dollars that would otherwise go largely into taxes. A company could set up a foundation, turn over to it as much as 5% of its net income before taxes, and then distribute this money at will—perhaps over a period of several years.

Management men at the Cleveland meeting said this method answers some of their complaints about fund-raising today. They said they are under too much pressure from solicitors, too many demands for quick decisions, too much solicitation for one cause at the expense of others. Through a foundation, a company can put its giving in the hands of experts and can work out a stabilized program of philanthropy.

Such foundations give corporations a formal mechanism through which to operate, provide a cushion for donations in bad years, allow executives to turn over funds without having to make up their minds in a hurry about the merits of a particular gift appeal.

This also helps to answer the criticism of such fund-screening agencies as the Better Business Bureau, chambers of commerce, and the National Information Bureau—the criticism that many companies, by their gullibility, make it harder to stamp out racketeering in fund drives.

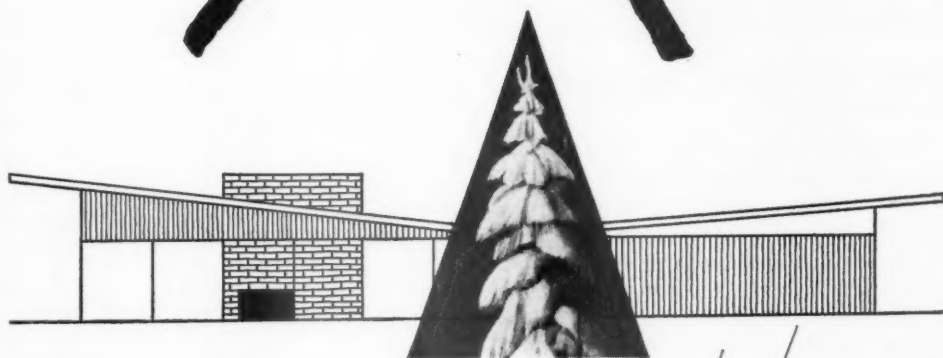
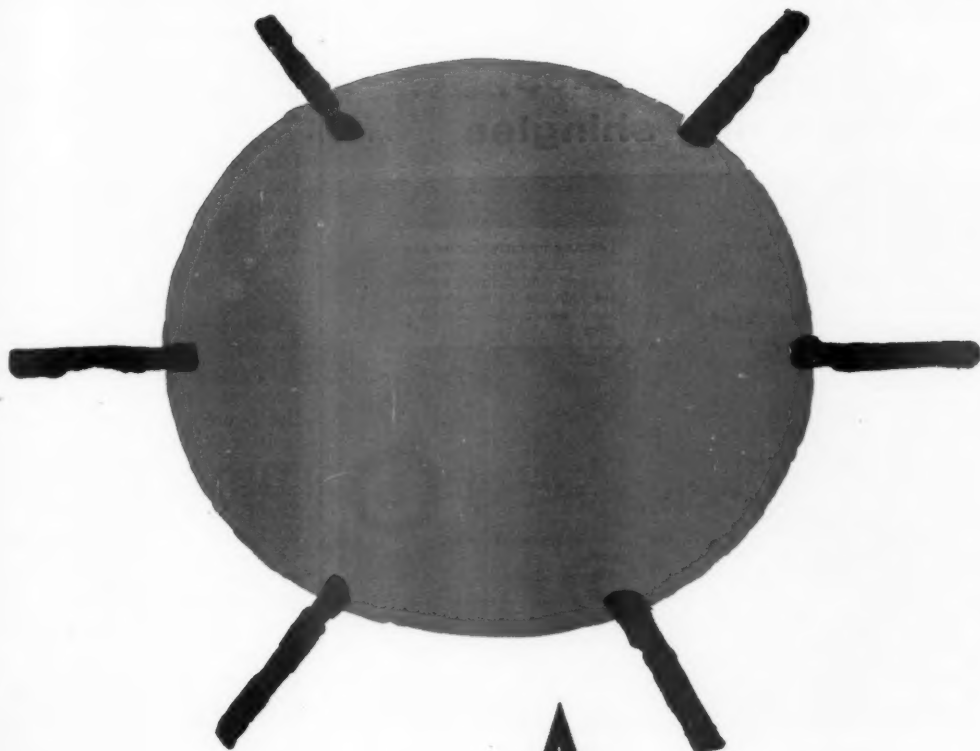
• **Under Attack**—At Cleveland, however, Dr. Samuel H. Jameson of the California Taxpayers Assn. criticized the foundations themselves. He termed them a "fad" and declared that some of them are perpetuating themselves at the expense of the taxpayers at large, serving as an escape route for money that would otherwise be taxed.

Jameson acknowledged that foundations are mushrooming, but he refused to concede that they are a panacea for companies' problems of charity.

"We've developed an art and science in collecting funds," he said, "but there's no art yet in giving."

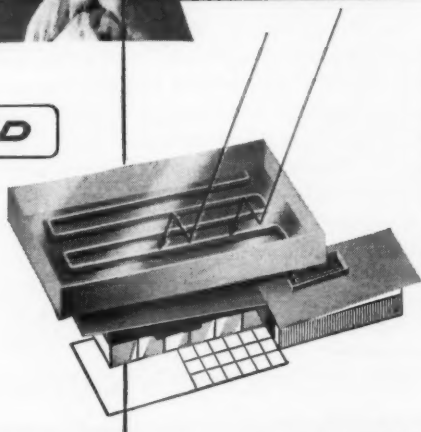
• **Growing Factor**—What percent of total company giving now goes into foundations is anybody's guess, but F. Emerson Andrews, Russell Sage Foundation expert who will publish a study of foundations next fall, says it is surely increasing.

In fact, Andrews says, the establishment of so many company-sponsored foundations in 1953 accounts in part for the drop in corporate giving last year (chart, page 130). Companies had put a big chunk of money in foundations in 1953, when excess profits taxes were still in effect, and then apparently turned off the tap slightly last year.



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TRADE-MARK

**solar heating units
make the sun serve...
all winter long**



Full scale working models of solar heating units utilize the superb heat transfer characteristics of Western roll-bonded metal for the production of hot water. The heat-producing sun's rays are trapped by solar glass and expend their energy on roll-bonded sheets through which water flows. The steaming water is then used as needed.

Today, cheap, easy hot water heating from the sun's rays is only one of the countless uses for the new Western roll-bonding process that may eventually be used to heat an entire house. The future of roll-bonding is limitless, bounded only by imagination. As an example of another practical present-day use of roll-bonding, one leading refrigerator manufacturer has built over 350,000 refrigerators

using this magical metal method that produces tubes *inside* single homogeneous sheets. Thus tubing and heat wasting welds are eliminated forever. Designs can be produced in

weeks, changed in days. If you have an idea or problem that requires tubes or internal systems, call or write today. We can help you to a fast, simple solution.

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LOOK HOW

Linde TRADE-MARK silicones are improving shingles



LOOK AT the reasons why

Water repellency that lasts and lasts is now an added quality in asbestos siding shingles. A special type of LINDE Silicone, built into the shingles during manufacture, is the "invisible raincoat" that provides the answer. Not even a driving rain darkens these shingles. Since water and dirt cannot soak in, soiling, streaking and destructive freezing are prevented.

An invisible raincoat is also being applied to the above-grade masonry of new buildings and old, with a LINDE Silicone. It is the base of an easily applied, durable compound that keeps brick and concrete clean and dry. Big bonus: It prevents seepage that damages inside woodwork, plaster, paint and wallpaper. Maintenance costs really drop.

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MANAGEMENT BRIEFS

Textron American, Inc., the company that resulted from the merger of American Woolen, Robbins Mills, and Textron, Inc., has sold off 10 of its idle mills. Edward Krock Industries Inc., a mill liquidating company, bought them for eventual resale. Seven are in New England, two in New York State, and one in Kentucky.

Profit-sharing plans—including those in which benefits are paid immediately to employees, and the deferred type with some of the characteristics of pensions—probably total 9,000. That's the figure Ohio State University's Bureau of Business Research uses in discussing the growth, kinds, and techniques of profit-sharing in its book, *Profit Sharing in American Business* by Edwin B. Flippo (Ohio State University, 1955, pp. 183).

Standard Oil Co. (Ohio) is installing a Type 650 IBM data processing machine. The new type machine was demonstrated at an operations research conference sponsored by Case Institute of Technology this week. Sohio plans to use it to speed technical work, process refinery data, and to study crude oil allocations, transportation, and blending. In addition, Sohio plans to put the machine to work on profit reports for products.

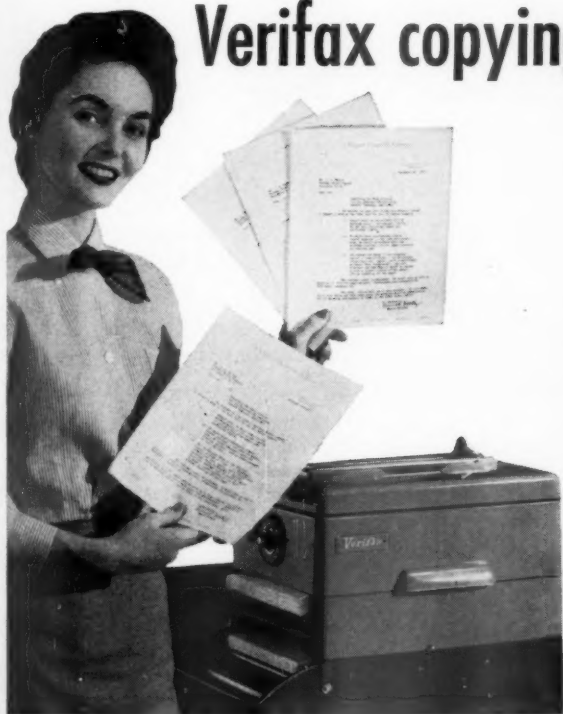
The second distribution under General Electric Co.'s Employee Savings and Stock Bonus Plan will put GE stock worth about \$9-million into the hands of some 43,000 employees and ex-employees. In addition, they get \$1,283,000 of accumulated income from the stock and \$15.4-million in savings bonds that they have had on deposit since 1949. The plan provides that GE contribute stock equal to 15% of the purchase price of the savings bonds if employees leave the bonds on deposit with the company for five years.

The Trane Co., La Crosse (Wis.) air-conditioning, heating, and ventilating manufacturer, is upgrading four of its management staff. Elected executive vice-presidents are: R. James Trane who will run the company's Scranton, Pa., and Toronto operations in addition to his regular job as head of Trane's Canadian subsidiary; Wayne J. Hood, who continues as treasurer, but adds finances and purchasing to his responsibilities; Thomas J. Hancock continues as head of Trane's sales organization and now will coordinate engineering and manufacturing. Purchasing agent Richard H. Pearse, Sr., was named a vice-president.

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☐ You'll seldom have to dictate another letter which, for the most part, quotes one you have received. A brief note plus a Verifax copy of the original letter is all that's needed.

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Kodak

BUSINESS ABROAD

Japan: Talking to Both Sides

● Premier Hatoyama is pushing his program to get aid from the West, trade with the Reds.

● It's the less-publicized talks with the West that are the most important.

● In these, the U.S. is helping him with pressure on its allies for three-way tariff deals.

Japanese negotiators are horse-trading around the globe this week—in Tokyo, Geneva, and at United Nations headquarters in New York—hoping to get something out of both the West and the Communists. The parleys are all part of a program planned by Ichiro Hatoyama, Japan's shrewd old prime minister (BW—Mar. 12 '55, p. 159). His aim is to "normalize" Japan's relations with the Communists, and to get aid from the West to put his country back on its feet economically.

In Tokyo, Japanese officials are talking with a Chinese Communist trade delegation about a return to prewar trade patterns between Japan and the Asian mainland.

In Geneva, with a big assist from the U.S., Japanese economists are trying to win tariff concessions for their products in world markets.

At the U.N., Japan's observer is pressing the Russians, who until last week were reluctant to renew diplomatic relations.

Tokyo has asked for a Washington conference to clear up Japanese-American relations, but this has been postponed by Secy. of State Dulles. A whole series of roundtables will be held this spring in Tokyo and the capitals of Southeast Asia through which the Japanese hope to advance their trade and investment program in that area.

• **Crisis Time**—All these talks are crucial to Japan. They come at a crisis in the country's postwar economic history.

Prewar Japan pushed to leadership of all Asia through sheer determination. Since the end of the war, Japan's economy has limped along with the help of the U.S. Now, 10 years after the war, the reaction to defeat and occupation has brought a tide of neutralism and nationalism. It threatens Japan's close postwar ties with the U.S. and the American economic support Tokyo has received.

But, because of Japan's shaky economy, Hatoyama's government—or any one that follows his—isn't likely to stray

far from Japan's postwar role as America's ally in the Orient. Since 1945, the U.S. has put some \$4.5-billion into the Japanese economy through direct aid and military procurement. (In addition there have been vast sums spent by U.S. troops in the country.) Without this support there could have been no postwar recovery. And it continues to be a main prop of the economy.

• **No Red Support**—Communist China and the whole Communist bloc can't supply that kind of support—unless Japan is willing to become a satellite in the Communist orbit. And even Japan's most ardent non-Communist anti-Americans don't want that.

Japan's problems aren't new. During the country's rise to the status of world power, its governments pursued a double-barreled policy to solve the problem of feeding its expanding population: (1) industrialization and (2) territorial expansion. Tokyo brought the food and raw materials of Manchuria, Korea, Formosa, and half of Sakhalin Island under its control.

• **Natural Turn**—Now most of these areas, torn away from Japan after World War II, are behind the Bamboo Curtain. It was only natural that when Japanese nationalism blossomed in this year's elections (BW—Mar. 5 '55, p. 108), Tokyo would look to the mainland for solutions to its economic problems.

That's the reason for all the noise over the current talks in Tokyo with unofficial representatives of the Chinese Communists. But the rub is that Communist China is no longer a market for the goods that Japan sold there before the war. Peking wants capital equipment to keep its elaborate industrialization program moving (BW—Jun. 24 '54, p. 92). And the raw materials that China exported to Japan before the war now go to the Communist satellites of Eastern Europe.

Last year Japan exported \$19-million worth of textiles, chemicals, dyestuffs, pharmaceuticals, and fertilizers to Communist China. Tokyo hopes to double

the figure this year. That's a modest target compared to the prewar (1934-36) average of \$170-million. But so far, the Communists have shown little interest in goods other than heavy machinery. There's little chance Hatoyama would risk American ire by shipping strategic commodities into the Communist areas in defiance of the U.N. embargo.

• **The Major Talks**—And so, with lots less publicity, Japan's parleys with the West are far more important. Nobody expects any miracles from the present negotiations in Geneva, where Japan is preparing to enter the General Agreement on Trade & Tariffs next fall. The negotiators are aiming for lower tariffs on Japanese goods in European and Latin American markets. The U.S. is running interference for the Japanese by offering the other nations tariff reductions in the American market for their concessions to the Japanese. Then, in a three-way deal, we would pick up concessions from Tokyo for American exports to the Japanese market.

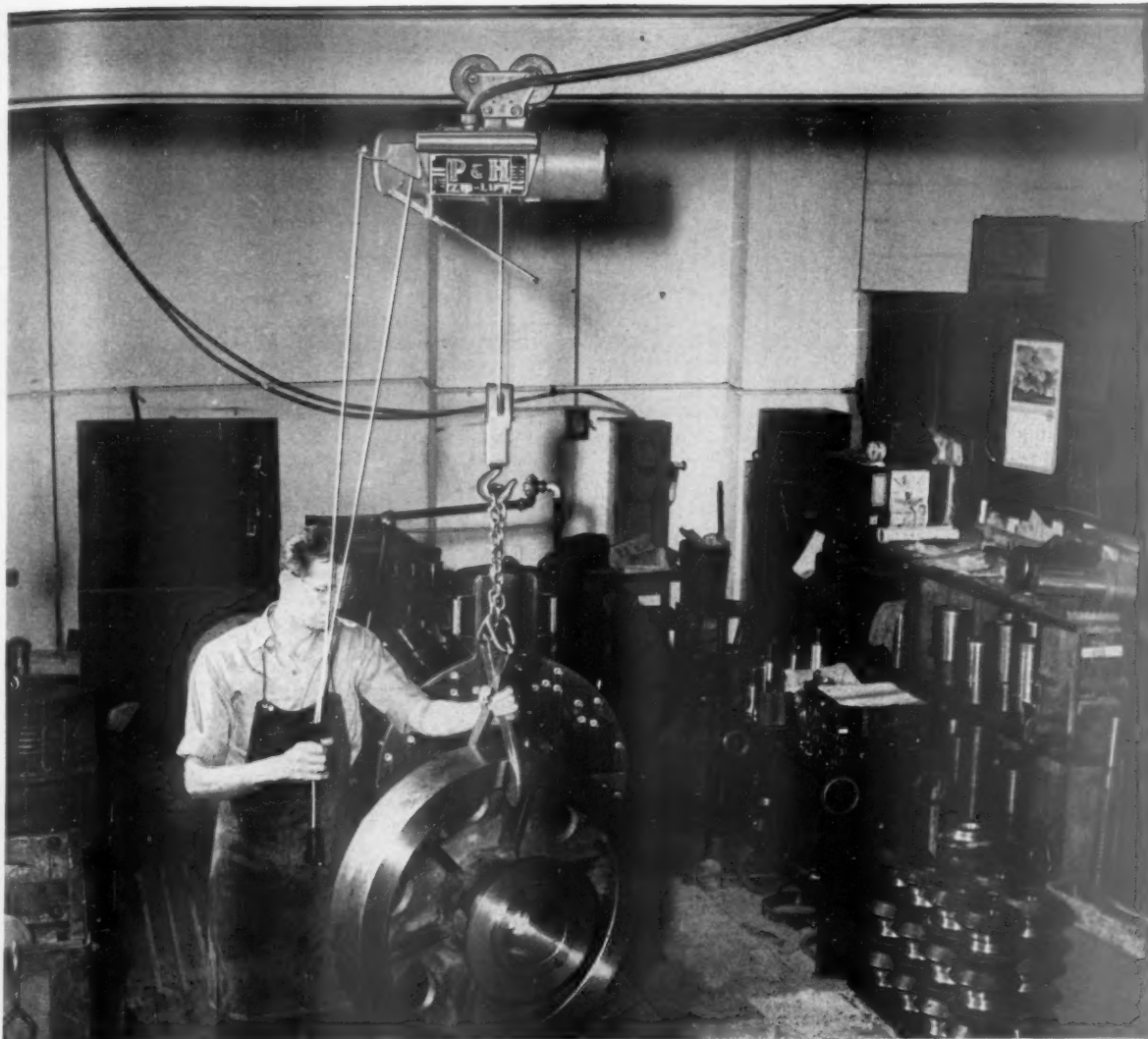
These talks are taking place only because of U.S. pressure on our allies in Europe, and because we have offered some concessions. While the actual tariff adjustments won't amount to much, they will offer the Japanese a wedge to get back into world competition. And they need it.

Since the end of the war, Japanese exporters haven't had an easy time. The breakup of the zaibatsu—the giant cartels and trade associations—under the Occupation took a good deal of their business knowhow from them. Their plants are outdated.

• **Labor's Rise**—But the worst problem is internal inflation. Trade unions were relatively unimportant in prewar Japan. Today, they hold a dominant role in the economy. Their wage demands have pushed up Japan's prices, reduced its big prewar advantage of low labor costs.

Last year, the government, under stubborn Premier Shigeru Yoshida launched an anti-inflationary program. Its partial success accounts for Japan's international payments deficit of only \$99-million for 1954, compared with \$193-million for 1953. But most observers believe the Japanese still have a long way to go to bring their products in line with world prices.

• **Political Tangles**—It will be hard for Hatoyama to put such a program into effect. The victory his Democrats won in the election was at the expense of Japan's other conservative party, Yo-



How P&H overhead handling reduces your overhead

We've got figures in our case-history file that prove some users are operating P&H Hoists for less than 10¢ per day! If your materials-handling costs are giving you trouble — then it will pay you to investigate the complete P&H Hoist line.

Take the P&H Zip-Lift Special shown above. It's a rope-controlled, wire rope hoist. It has two brakes, a grooved drum, and a limit switch.

It's packed full of features and values that you're accustomed to getting only in higher priced equipment.

Yet P&H offers you the Zip-Lift Special, with ten feet of lift, in the 250-lb. capacity model — for only \$145. Other models — 500 lb., 1000 lb., and 2000 lb. capacities, run slightly higher. Lifts of 14', 18', and 20' are also available.

Look to the complete P&H line for

the hoist that best suits your needs. Whether it's a Hand Chain Hoist, a Zip-Lift or a Hevi-Lift — they're available from 250 lbs. to 15-ton capacities. That's because P&H has the most complete line in the business — with over three million variations of hoists to choose from. P&H Hoist Division, Harnischfeger Corporation, 4430 W. National Ave., Milwaukee 46, Wisconsin.

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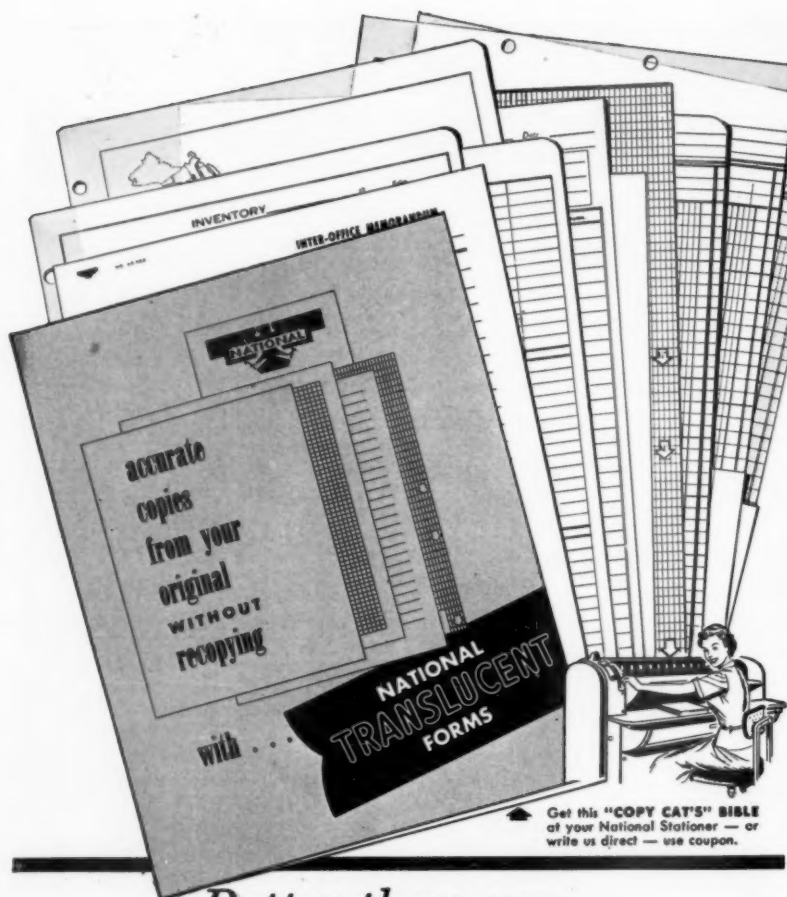
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shida's Liberals. And it was the Socialists who gained, particularly the Left Socialists who are powerful in the trade union movement. They're not likely to go along with any austerity policy. Furthermore, the Liberals have already joined the Socialists to keep control of the new Diet (parliament) out of the hands of the Democrats. And Yoshida and his friends will not forget that Hatoyama's Democrat Party was created by partially dismembering the Liberals (BW-Dec.18'54,p140).

This domestic political maneuvering sets the tone for the talks at the UN where the only victories to be gained are political. If the Russians extend recognition to Hatoyama's government, return some of the 40,000 high-ranking POWs they are still holding, give up fishing rights they took from the Japanese, or hand back two small islands in the north, then Hatoyama would be in business. He could flaunt these "victories" before the Japanese voters, show the Liberals that a more decided pro-American policy isn't needed, and show the Socialists that it doesn't take a left-wing government to "coexist" with the Russians.

• **Old Power Play**—Such an arrangement would appeal to the Japanese on another score. For a century they've dreamed of playing the Russians against the Chinese in the Orient. They managed to do it for 50 years or so toward the end of the last century and the beginning of this one. At that time they had a British alliance to help them. Some Japanese think it might be done again today with U. S. power replacing the old British alliance.

That's at least part of the thinking behind Japanese reluctance to undertake the rearmament program the U. S. wants Tokyo to launch. Hatoyama has also argued that the country must have a reduction in the \$148-million it now contributes to maintaining U. S. troops in Japan, before it can raise its own expenditures for armaments.

• **Hatoyama's Ace**—He is likely to continue the bargaining that led to headlines in this week's newspapers about strained relations between Washington and Tokyo. He is counting on American dependence on Japan in the Orient as his ace in the hole. Secv. Dulles has repeatedly stated recently that Japan is the anchor of U. S. policy in the Far East, that it must not be allowed to slip behind the Communist Curtain. With that kind of assurance, Hatoyama has plenty of room to maneuver.

Since Japan adopted Western technology it has always sought that room to maneuver so that it could build its industry and still maintain its oriental culture and society. It has tried to get the best of both worlds. In this week's negotiations, Tokyo is still trying.

MEMO

All Brass Buyers:

*Promises are a
dime a dozen...*

*but performance
is beyond price.*

*Faithfully yours,
Bristol Brass*

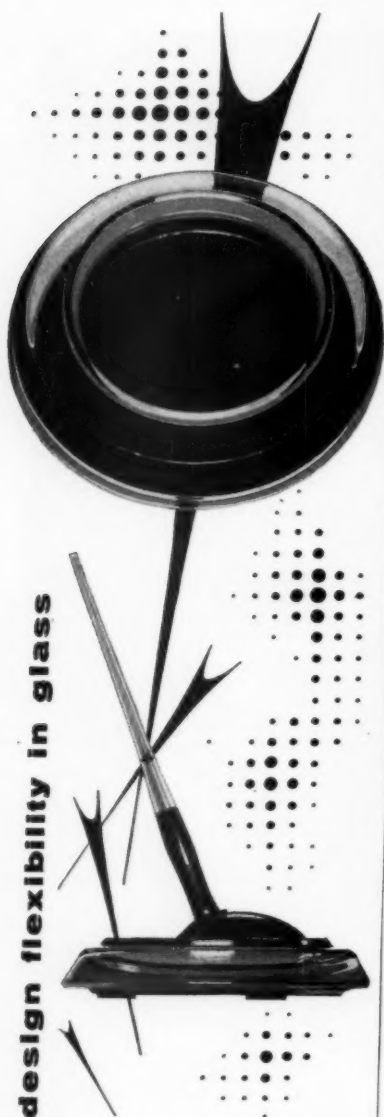
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experience proves that this is what you get from Bristol Brass. For here at Bristol, promises are not made unless they can be kept. And that goes for everything . . . quality, uniformity, tolerance, delivery . . . on every pound of Bristol Brass strip, coil, rod and wire. Prove it to yourself . . . write:

THE BRISTOL BRASS CORPORATION

has been making Brass strip, rod and wire here in Bristol, Connecticut since 1850, and has offices and warehouses in Albany, Boston, Buffalo, Chicago, Cleveland, Detroit, Milwaukee, New York, Philadelphia, Providence, Rochester, Syracuse. The Bristol Brass Corporation of California, 1217 East 6th St., Los Angeles 21. The Bristol Brass Corp. of Ohio, 1607 Broadway, Dayton.

*"Bristol-Fashion" means **Brass at its Best***



design flexibility in glass

Glass bases for the Esterbrook desk sets are moulded, decorated and ground by Lancaster Lens. The production process includes the addition of fired-in ceramic color and an intricate grinding technique.

This operation is typical of Lancaster's close cooperation with customers. Companies like Esterbrook consider Lancaster design and manufacturing facilities a part of their production system.

Lancaster can add sales appeal to your product with design flexibility and lower cost glass parts. Write for details, or submit blueprints for immediate quotation.

(See Esterbrook ad on page 66)



THE LANCASTER LENS CO., LANCASTER, OHIO



AS FOREIGN CARS gain in suburbs, dealer Bernard Odess (above) is riding . . .

A Volkswagen Runaway

Bernard Odess, a onetime real estate salesman, is convinced there is a place in the suburban sun for imported automobiles. He bought out a foreign car dealership in Montclair, N. J., last July—at a time when shrinking sales of imports and meager pickings of auto dealers generally made such a venture almost an act of faith.

Last week, Odess and other dealers like him were knee-deep in Volkswagen, and wondering if the past 12 months had not completely revolutionized the foreign car market in the U.S.

• **Runaway**—During 1950, only 157 tough, tiny German Volkswagen autos were sold in this country. When 1952 foreign car registrations reached a record 29,299, Volkswagens added only 600 registrations.

Then, last year—between January and July—Volkswagen leaped from sixth place to first place among new foreign cars sales here. By yearend, it was far and away the highest selling import—nearly twice its nearest rival, the little British MG sports car. Sales in 1954 were 6,343, a gain of 412% in a year when total foreign car sales dropped 12%, to 25,379. (Nash's two-seater Metropolitan, U.S.-designed but made by Britain's Austin, isn't usually classified as a foreign car. Sales last year were 7,018.)

This year, while imports clearly are doing better in a busy auto market, Volkswagen is staging a runaway. January registrations were 1,110; the best guess for February and March sales is 2,000 a month. From Wolfsburg, West

Germany, Volkswagen officials speak confidently—and conservatively—of 20,000 U.S. sales in 1955.

Odsess, with 15 different cars to sell, has sold "about 100" VW's in the past six months and says he is "living beautifully" on the Germans alone. A New York City dealer sells one a day. Miami, Chicago, Houston, and San Francisco dealers wish they could get more.

• **Losers**—Volkswagen successes have come out of the hide of British auto makers. According to The New Yorker magazine's studies of the foreign car market (The New Yorker carries over half the total imported auto magazine advertising), sales of the British MG—once queen of the imports with 7,499 sales in 1952—dropped 47% last year. Jaguar sports cars and sedans lost 14%; Rootes Motors' Hillman was off 46%; British Fords and Austins lost 55% and 50% respectively.

It's the irony of victor and vanquished again. Britons pioneered the U.S. market for imports, learned the ropes the hard way. They popularized the economy sedan and the sports car, carried the market to its 1952 peak.

That isn't all. It was British technicians and managers who right after the war got the Volkswagen plant—a bombed and shabby memorial to Hitler's dreams of wheels for his Herrenvolk—into operation again. Now it's the hottest producer in the world auto market (BW—Jul. 11 '53, p106).

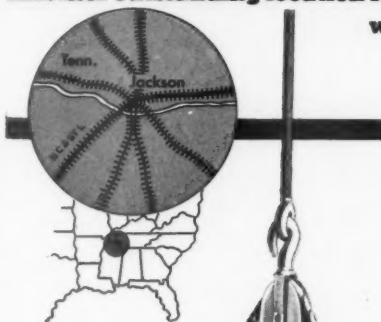
• **Features**—The German prodigy costs \$1,495 at port of entry (\$1,585 in Chicago), is 59 in. high, has an air-cooled engine that snuffles noisily from its housing in the rear, and will get close to 40 mi. per gal. at a steady 40 mph. It's surprisingly roomy for four, provided the people in front haven't long legs. It's fun to drive. The Volkswagen enjoys a glowing reputation for stamina, simple sound engineering, and gets along with a minimum of maintenance. An opening gambit of a VW dealer is that his customers get 100,000 mi. without major repairs.

• **Cadger**—The cars are being "bought," rather than "sold" in the usual marketing sense. There has been no national advertising (competitors complain that VW has cadged an awful lot of free publicity), very limited dealer advertising.

Volkswagen has quietly built up a strong dealer organization, now has several hundred outlets and a large stock of spare parts, plus a traveling factory service team. A dealer can get factory people to work for him, and Bernard Odsess' Imported Motor Car Co., for one, is bringing two Germans to Montclair soon.

Word-of-mouth apparently does the job, and a dealer figures that "each guy that buys one is good for another." A commuter parking at the station inter-

Another outstanding location for industry in the Central South—where industry goes . . . to work



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Jackson, a city of 38,500 in West Tennessee, has the folks who do a full day's work for a fair day's pay. 5,200 employable

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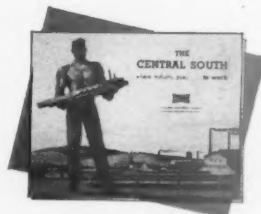
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ONE A WEEK, AND STILL COMING! Better than 50 new industries a year are locating on the lines of the NC&StL in the Central South.

Get your free copy of "The Central South—Where Industry Goes . . . to Work." This colorful brochure tells why more and more industries are relocating or building branches in the Central South.

N.C.&S.T.L. THE NASHVILLE, CHATTANOOGA & ST. LOUIS RAILWAY



News from — BUSINESS WEEK'S BRIEFCASE



READIN' AND WRITIN' AND BUSINESS WEEK . . . It's back to school for employees of the Raybestos Division, Raybestos-Manhattan Company, Stratford, Connecticut. Familiarizing the group with over-all company operations is Raybestos President John F. D. Rohrbach. Selected for the six-month Development Program are employees having more than five years experience with Raybestos. To broaden employees' overall knowledge of business, Raybestos has chosen Business Week as required reading for the course.



FOR TESTING

ADVERTISING TECHNIQUES . . .

Business Week advertisers can schedule split-run tests in 8 issues this year. Pictured at left, an interviewer from the Daniel Starch research staff checks the effectiveness of one of DuPont's split-run advertisements in the January 29 issue. From these interviews, DuPont and its agency can evaluate the effectiveness of different copy techniques. Why not ask your Business Week representative for further information on how split-run advertising can serve you?



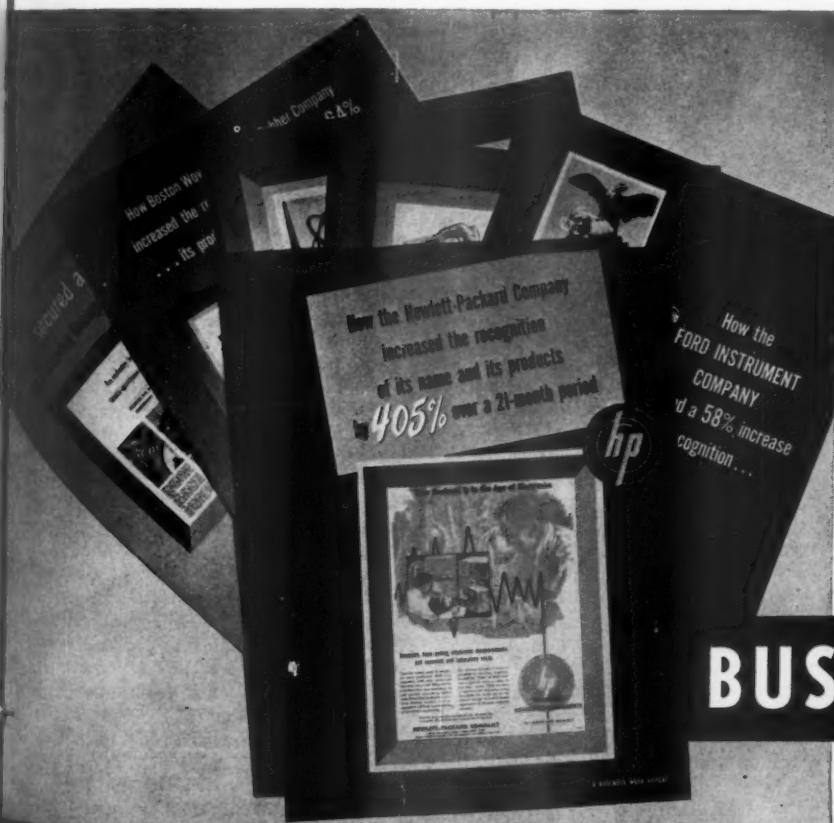
SHORT STORY IN BUSINESS WEEK MAKES A TALL TALE IN TEXAS . . . Every time a Houston Little Leaguer swings a bat this summer, he'll thank a local Business Week subscriber. From an idea he got while reading Business Week, Houston business man Arthur Derby sparked Houston's bonanza auto show, staged January 8-15. Proceeds of \$75,000 are being used to expand Houston's Little League program. The two Texans above may be Little Leaguers in baseball, but they're big-league salesmen—together they sold 3,300 show tickets.



TO REACH A QUARTER MILLION CAR BUYERS . . . Here is the first advertisement of Buick's new series in Business Week (March 12, 1955). Buick and its advertising agency, Kudner, Inc., believe Business Week's subscribers—annual average income \$18,255—represent a top market for the 1955 Roadmaster. Some additional facts: 96% of Business Week's subscribers own one or more cars; 49% use their cars regularly for business travel.

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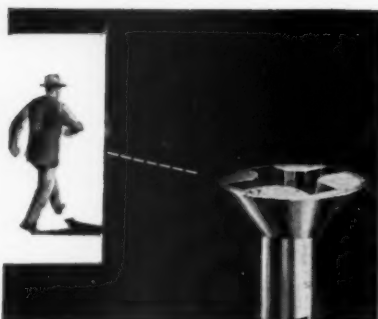


HOW COMPANIES MEASURE THEIR ADVERTISING'S EFFECTIVENESS . . .

One of the important functions of advertising in Business Week is to help build and maintain company and product recognition among industry's management men. Many companies have established, through continuing research, that consistent advertising in Business Week helps them achieve this objective. For copies of these reports, write to Business Week's Research Department.

BUSINESS WEEK

330 WEST 42nd STREET
NEW YORK 36, N. Y.



FOR WANT OF A SCREW ... A CUSTOMER LOST

Today's lower inventories require service — quick service! Just what you get from Southern.

Prompt shipment from stock.

Secure packing in containers sealed against loss in shipment.

One source for all your needs.

Free lubrication for screws in bulk.

WOOD SCREWS • STOVE BOLTS

A & B Tapping Screws • Machine Screws
Carriage Bolts • Hangar Bolts

Write for free samples & stock list. Box 1360-WI

SOUTHERN SCREW COMPANY

STATESVILLE, NORTH CAROLINA

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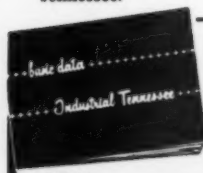
SEEKING NEW PLANT LOCATIONS?

Try this Tennessee Town

Population -- 3,261
Labor Supply -- 10,524!

This Tennessee Town, population 3,261, during a recent industrial survey registered an available labor supply of 10,524 people.

And — that town is just one of 250 incorporated Tennessee towns and cities which are actively seeking industry. They vary in size from metropolitan centers to towns of 1500 or less. They offer industry a dependable labor supply and an opportunity to become an important part of community life. For more information about them, and Tennessee's other industrial advantages, write today for "Basic Data — Industrial Tennessee."



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Send "Basic Data" booklet

NAME

FIRM NAME

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CITY & STATE

"... husbands make the purchases if they can get away with it ..."

CARS starts on p. 140

ests his mates; a factory hand who buys one can be counted on to "sell" a couple more at the plant where he works.

• **Second-Car Market**—Why the Volkswagen is something else again. They're cheap, but not so cheap as the Austin A-30, British Ford's Anglia, the French Renault, or Nash's Metropolitan. Certainly they are novel. One reason Americans buy foreign cars at all is that they don't go out of style in two years like a U.S. model. "Easy to drive" is another comment—"people are fed up with the big barges coming out of Detroit." Above all, the Volkswagen is simple and reliable.

VW boosters say their car is great for errand-running, parking, and "just the thing for the wife to run around town in." The only problem there is that wives generally don't like VW's proletarian look, and husbands, by and large, make the purchases if they can get away with it.

Two-car suburbia is where Volkswagen has made its biggest inroads (surprisingly, 54% of last year's sales were west of the Mississippi). It is this market that the British have dreamed of since the war. Writing in *The Motor*, Britain's bible of automobilism, one observer remarks that the "American multicar family presents potentially one of the richest export markets in the world."

• **Competition Coming**—Britons could use that market now. The balance of payments deficit is troublesome, and Australia, Britain's largest auto customer, has just decreed heavy import cuts. But British auto shipments to the U.S. in January and February were down to 3,900, compared to 4,600 in the same period of 1954.

Britons will probably do better as the year wears on. British Motor Corp. (Austin, Morris, MG) has retrenched some of its U.S. operation; its Austin sedan has been losing ground fast. But through the flashy new Austin-Healey sports car (which jumped from 231 registration in 1953 to 2,003 last year); the dollar-earning deal with Nash; and continuing sales of the MG, British Motors is very much in the running.

Rootes Motors' Hillman Husky is a new, neat miniature of the U.S. all-metal station wagon—and some dealers report they have more orders than cars. British Ford, after a disappointing year in 1954, is expected to sell better. The Jaguar, sedan and sports car, is doing well around the country. Over-all, pure

sports cars, in a slump last year at this time, are perking up. The big expensive stuff—Rolls-Royce and Bentley—sell few and far between, but then they always have.

• **Pinch**—Even in the field of luxury cars and sports models, Britons are beginning to feel the German presence. Germany's Porsche and the Mercedes-Benz both showed increases in the face of last year's over-all decline in foreign car sales, up 588 and 437 respectively. They are new and novel, of course. The latest sports entry, the Mercedes SL 190, is expected to give Jaguar and Austin-Healey a run for their money.

Foreign car specialists find that U.S. sports cars—like the Chevrolet Corvette and Ford's Thunderbird (though it's not strictly a sports car)—may have cost them a few sales. But in the end they believe U.S. sports cars can only increase the market for imports.

All hands agree there is a growing market for luxury and sports models. Cadillac's brash (and blasphemous, to foreign car fans) announcement that its new El Dorado Brougham (BW-Apr. 2 '55, p. 52) at \$8,500 would make people "forget Rolls-Royce" is an example, though more likely GM wants people to forget the upcoming Lincoln Continental (BW-May 15 '54, p. 27). Sports-car clubs are springing up throughout the country; there were six in northern California three years ago, now there are 35.

• **Odds**—It's anyone's guess whether the small economy cars will ever become a major factor in the U.S. market. The move to suburbia and to two cars, increasingly crowded highways and limited parking space, might carry Volkswagen to as high as 50,000 annual sales. And U.S. auto makers might take midget cars seriously.

On the other hand, many observers—and dealers, too—don't discount the strong possibility of a flash-in-the-pan. One dealer told *BUSINESS WEEK* that while he was grateful for the Volkswagen tide, he wasn't about to make any investment on the hope that VW would be selling 50,000 cars here.

In Detroit during a month when 710,000 autos were produced, imports—a spit in the ocean of U.S. sales—aren't a matter of concern. Auto men are telling the story of a Wall Streeter who sat next to a General Motors vice-president during a luncheon given by GM's president, Harlow Curtice. The New Yorker said something to the effect that "You people at Cadillac must be getting a lot of competition from the English Bentley." While the GM fellow is choked, the Wall Streeter explained that "I see more Bentleys on Park Avenue than I do Cadillacs."

That about sums up the state of the foreign car market now. Cadillac sales last year were 110,000; Bentley 35.

Looking Abroad

The week's budget of news about U.S. corporations and their business overseas.

Sears, Roebuck & Co., expanding like wildfire in Latin America and Canada, may be taking its first step outside the Western Hemisphere. Sears has teamed up with Waltons, Ltd., an Australian department store chain, to bid for the shares of Foy & Gibson, Ltd.—which operates five stores, three of them in Melbourne, with an annual sales volume of \$20-million. At least two other U.S. firms are investigating retail possibilities in Australia.

More business Down Under: Standard-Vacuum Oil Co.'s Australian subsidiary opened the nation's first catalytic cracking refinery this week outside Melbourne. At 25,000 bbl. daily, the plant will supply 16% of Australia's oil needs, 20% of its gasoline, and save \$2-million yearly in exchange.

New Holland Machine Co., subsidiary of Sperry Corp., has set up an Australian subsidiary; Lunn Laminates, New York, joins forces with an Australian company to mold and fabricate plastic products.

Lima, Peru, is the new Latin American base for printing the International Edition of the *New York Times*. Until this week, Latin American-bound Times were printed in New York. Now, from Lima, they'll be within 10 hours of all major distribution points in South America.

A New York exporter, Overseas Equipment Corp., says it has made the largest single shipment of buses in history. All told, 250 buses and 20 extra chassis are en route from Baltimore to the Saudi Arabian port of Jidda—they will be put to work this summer hauling Moslem pilgrims to and from Mecca. Overseas Equipment has contracted for 750 buses in all, at \$6,000 apiece; International Harvester, Diamond T Motor Car Co., Ford, Studebaker, and Chrysler made the chassis; Wayne Works (Richmond, Ind.) and Superior Coach Co. (Lima, Ohio) built specially designed bodies.

Two new licensing deals: Sun Chemical Corp. gets into Far East markets via a licensing arrangement with Tokyo's Danippon Printing Ink Mfg. Co., which will manufacture the Sun line of inks. Houdry Process Corp.'s catalyst for high-octane gasoline will be available in Europe for the first time under an arrangement with West Germany's Chemische Werke Huels.

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capital goods . . . Lufthansa aloft . . . Fleet St. struck.

Ghee—500 tons of it—will arrive in Bombay, India, next month stamped “made in U.S.A.” The shipment is a trial run to see if surplus butter stocks of the Commodity Credit Corp. can be trimmed by selling them to India (BW—Feb. 12 '55, p163) in this form of clarified butter. The Indian government has bought the shipment from the U.S. at nominal prices and will auction it to private dealers. If sales go well, private trading in larger quantities will begin.

Indian housewives, polled earlier this year, say they like U.S. cow ghee as well as Indian water buffalo ghee. Now the question is: Will they pay enough for it to warrant processing it and shipping it halfway around the world?

The butter-ghee affair is just one minor headache of the Administration's Foreign Agricultural Surplus Disposal program, which is limping toward a July deadline. By then, the program should have moved \$450-million worth of surpluses to foreign markets. It now looks as if it will miss the mark by at least \$150-million worth.

Worse still, administrators of the program fear that it may be interfering with ordinary U.S. agricultural sales abroad. They are trying to stave off Congressional pressure to increase the program's targets from the current \$700-million to \$1.5-billion over a three-year period. They also point out the program is costing the taxpayer a pretty penny, since the CCC gets less than 20% return on its original payments to American farmers.

While the TV cameras were turned on the thaw of the great ice floes at Niagara Falls last week, things were warming up elsewhere on Great Lakes waterways. The 6,700-ton Manchester Spinner, a British ship, moved up the St. Lawrence River to Quebec officially opening the 1955 shipping season.

Great Lakes shipping agents, who usually moan about the increasing competition on the Lakes, are in a happier frame of mind. They are expecting the biggest season ever, with early east-bound cargo space already overbooked. That's in spite of the fact that there are 11 more ships this year—a record total of 85—plying the St. Lawrence River system from Lake Ports outbound to Europe.

The prosperity also is attested to by

the fact there are five new lines operating this year. The new shippers apparently were attracted by the U.S. decision to participate with Canada in building a 27-foot seaway into the Lakes. The experience gained now with smaller ships will come in handy when the “big” Seaway starts operating in late 1959 or 1960.

The shipping lines' enthusiasm is being matched by shippers in the Midwest who are dipping their toes for trial shipments over the Lakes. There's even talk of “export” rates by some Midwest railways for cargo destined for ocean shipping through Great Lakes ports.

From 90% to 95% of the trade is with Europe. Imports last year included wines, liquors, Scotch whisky, wood pulp, ceramic clay and earthenware, autos, and machinery. Outbound shipments included iron and steel products, lard, hides, machine tools, trucks, cars, and auto parts.

Iron ore imports last year, at 17.7-million tons, were 42% greater than the 1953 record year. One-third of that tonnage came from U.S. Steel's and Bethlehem Steel's expanding operation in Venezuela.

How long Venezuela can hold the supply lead is a question. Canada shipped almost 4-million tons in 1954, a 90% increase over the year before. As the Quebec-Labrador mines speed up delivery, Canada will probably become the prime supplier.

Peru—another area where U.S. capital is developing iron ore—moved up to third place, with 2.2-million tons. Chile, the largest supplier in 1953, dropped to fourth with 1.8-million tons of ore, while Sweden fell from second to fifth rank as a supplier. Little Liberia, where Republic Steel Corp. operates mines, sent 857,000 tons to the U.S.

Last year wasn't any better for U.S. capital goods exports than it was for American exports generally, which fell from the 1953 postwar peak. The total for all categories, including electrical goods, was 4.6% less than in 1953.

There was one significant optimistic development, reports the Machinery & Allied Products Institute: Latin America emerged as the principal market for U.S. capital goods, despite indus-

trial underdevelopment and serious dollar shortages.

“It behooves capital goods manufacturers who have not heretofore concentrated on Latin America to consider seriously the long-range export potentialities of the region,” the MAPI Bulletin says.

While things looked promising in Latin America, they didn't turn out so well in Canada, where purchases of U.S. machinery were off \$90-million from the \$887.4-million 1953 total.

Over-all, the sharpest decline in particular export lines was registered in metalworking machinery; textile, sewing, shoe machinery, and printing and bookbinding machinery registered healthy increases. Office machines also were up 4.4%, and scientific instruments and apparatus rose 10.6%.

British pilots and American Convair planes got Lufthansa, West Germany's airline, off the runway on schedule last week (BW—Oct. 23 '54, p140). German pilots now in training will be taking over shortly. International flights to Paris, Madrid, and London begin May 15, and Super Constellations go into service over the North Atlantic June 1.

London's newspaper readers, waiting anxiously for news from 10 Downing St. this week (page 151), were feeling pretty frustrated. A strike of the Communist-dominated maintenance employees union closed London's 10 big dailies.

London's Daily Worker, the Communist party organ, hoped to cash in on this frustration. The Worker had settled with the union and figured the shutdown of newspapers would turn some of the Fleet Street's 20-million circulation its way. The British party paper has been having tough sledding lately. Its circulation has fallen to 70,000 from 170,000 only a year ago.

But the Communists reckoned without Robert Willis, the rough, tough North Country leader of the London Typographical Society, the compositors union. Recently the Worker had antagonized Willis by firing an LTS member and replacing him with a party-liner. Furthermore, Willis guessed the maintenance workers' strike was as much politics as wage demands.

So when the Communist-line union closed the Big 10, Willis pulled his men off the Worker's linotypes. A tough bargainer and the scourge of London's Newspaper Proprietors Assn., Willis says he's living up to the 100-year-old militant tradition of his union. And he's not going to stand for the Worker pulling off any jiggery-pokery.

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BUSINESS ABROAD PATTERN

A Dubious Look at Trade Goals

AT THE END of World War II, most U.S. economists and most U.S. businessmen with a stake in foreign trade were pretty well sold on the trade liberalization philosophy laid out at the Bretton Woods Conference. They went along with the official Washington view that the U.S. could reestablish a worldwide trading system if it (1) gradually lowered its own trade barriers; and (2) persuaded the other big trading nations to live by the Bretton Woods principles, once a five-year transition period had passed.

As things turned out, rebuilding world trade has proved to be a tougher job than anyone expected back in 1945. There has already been a transition period of 10 years, during which the U.S. has poured out many billions in foreign aid. The goal is still far off—so far that many economists and businessmen have had second thoughts about the Bretton Woods aims. These men now question whether the goal can be reached—regardless of how big a contribution the U.S. makes by way of tariff cutting. They have begun to wonder if we shouldn't take an entirely new tack in our foreign economic policy.

SUPPORTERS of this view, as well as hidebound protectionists, are finding ammunition in a new book by election-dopester Samuel Lubell—*The Revolution in World Trade* (Harper). Lubell has been a long-time colleague of Bernard M. Baruch, who writes a laudatory foreword.

This school of thought has begun to show itself openly just as the Eisenhower Administration is battling in Congress (BW—Apr. 2'55,p29) to get the Reciprocal Trade Agreements Act renewed for three years and to get legislative approval for the recently revised General Agreement on Tariffs and Trade (GATT). This is an effort to commit the U.S. once more to the Bretton Woods goal.

Whatever the outcome of this battle, you are sure to run more and more frequently into the kind of views Lubell expresses. For the plain fact is that the tariff issue in this country is no longer being fought on the old lines of free trade versus protection. Indeed, in

the profusion of arguments from both sides it's hard to find any solid base of economic philosophy or, apart from the old-line protectionists, any consistent position.

WHAT LUBELL does pretty effectively is to demolish any notion that the world can return to the free-wheeling trading system of the 19th Century. As he puts it, "The simple truth is that no people in the world today is prepared to live by free, unrestricted competition. . . . The policies of most countries have become an uneasy—and often unholy—mixture of free market economics and government intervention, of attempts to expand trade with one hand and to dig for self-sufficiency with the other."

Since World War II, Lubell rightly points out, U.S. policy makers have striven to reestablish "a single all-embracing trading system." But what has actually happened is that "the currents of events have tended to divide the trading world into a number of separate trade-currency blocs."

IN THE FACE of this situation, Lubell maintains that even a drastic reduction in U.S. tariffs would do nothing to knit the free world together economically. It's a snare and a delusion to argue that tariff-cutting means anything in today's world.

What he advocates is a "realistic" program through which "all aspects of foreign policy—military, political, diplomatic, and economic—are woven into one thought-through whole."

Lubell includes a tariff truce with U.S. duties kept at present levels, currency convertibility, more foreign investment, and measures to keep the U.S. economy in high gear.

But Lubell's argument has so many gaps—the relationship between freer trade and convertibility, for example—that his program isn't very convincing. For lack of an economic base, he falls back on his own special mixture of political and economic expedients. And these, incidentally, are expedients that appeal far more to the opponents of Eisenhower's trade policy than its supporters.



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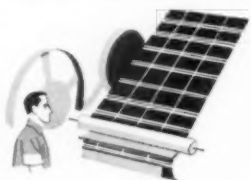


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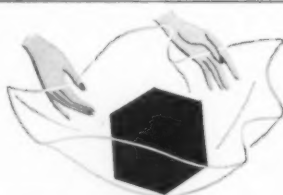
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INTERNATIONAL OUTLOOK

BUSINESS WEEK

APR. 9, 1955



Sir Anthony Eden, Britain's new Prime Minister, has two urgent tasks:

(1) Lead the Conservative Party to victory in the election that seems certain to come late in May.

(2) Build a diplomatic bridge over the East-West abyss that has been created by the Formosa crisis.

Eden has his diplomatic operation under way now—secret, three-way negotiations in Moscow between British, Indian, and Russian diplomats (page 25).

He hopes to duplicate his performance at the Geneva conference on Indo-China, where he engineered a compromise peace formula. Success would:

- Pull the fuse out of the Formosa Strait powderkeg.
- Relieve the present strain on U.S.-Commonwealth cooperation in Southeast Asia.
- Boost Conservative election chances and Eden's personal prestige.

Sir Anthony takes over a confident Conservative Party itching for an election. Labor's continuing confusion, and a rightward swing in local elections this week, reinforces the impatience for the poll.

The election may well be May 26, though the date is still uncertain. Some London dopesters predict a Conservative majority of 50 or better.

The Conservative Party has lived down some of the suspicions—"warmongers, determined to end full employment"—that dogged them in the past. Churchill's effort to get a settlement with the Russians and the first genuine economic boom in a generation are election trumps.

Assuming a May or June election, Chancellor of the Exchequer Butler's budget—due April 19—will be a collection of small, but popular, mercies—a penny a pint off the beer duty, larger tax allowances for children.

If the Conservatives win, though, more drastic monetary and financial measures would follow—to head off inflation, restrain consumption and investment, and free more resources for export.

The "suicide" of Kao Kang—once boss of Manchuria—symbolizes the end of an era in Red China. Look at it against the backdrop of Chinese-Soviet relations.

Kao headed the "Stalin" or "MVD" faction in Chinese Communism. Schooled in Moscow, he was a favorite of MVD-Chief Lavrenti Beria. He was virtually imposed on Peking as administrator in Manchuria, told to act as much in the interests of Moscow as of Peking.

Kao's jig was up with Beria's arrest. He disappeared from public life last summer. The October, 1954, agreement between Khrushchev and Bulganin and Peking, establishing Mao Tse-tung's full control in Manchuria, sealed his doom. And it confirmed China as a full partner—no longer a satellite, or even a junior partner—in world Communism.

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

APR. 9, 1955

Moscow and Peking are doubtless going to stick close together in the foreseeable future. But the Manchuria incident harbors a portent: If China keeps gaining strength and ambition, its aspiration and those of the Soviet Union must clash. The liquidation of Kao Kang isn't the end of the story.

U.S. businessmen in Japan are enmeshed in a new tangle of red tape following the election victory of Prime Minister Hatoyama. It's part of the trend—the expression of Japan's new found nationalism, the desire to wipe out the traces of U.S. domination.

The situation may get worse as Japanese-U.S. relations become more strained. This week brought more misunderstanding when Secy. of State Dulles refused to let Foreign Minister Shigemitsu come to Washington (page 136) and wrap up a settlement of current differences.

Shigemitsu's trip was important in Tokyo politics. Hatoyama can't deliver on his promises of more "Independence" without U.S. help.

Washington is sympathetic, but first wants Japan to take a stronger anti-Communist line, including rearmament.

Tax cuts, easy money, and Canada's second budget deficit in a decade is the prescription from Ottawa this week.

Last year, Canada's postwar boom faltered a bit—and Finance Minister Walter Harris wound up with a \$148-million deficit, the first since 1946 (BW—Jan.8'55p86). And while there's nothing desperately wrong with the economy now, unemployment has been unusually high this winter. Ottawa decided on pump-priming, and a 1955 deficit of perhaps \$160-million.

Income taxes are cut across-the-board; 85% of taxpayers will get a 12% reduction. Corporation taxes have been shaved, and the 15% excise tax on autos cut one-third.

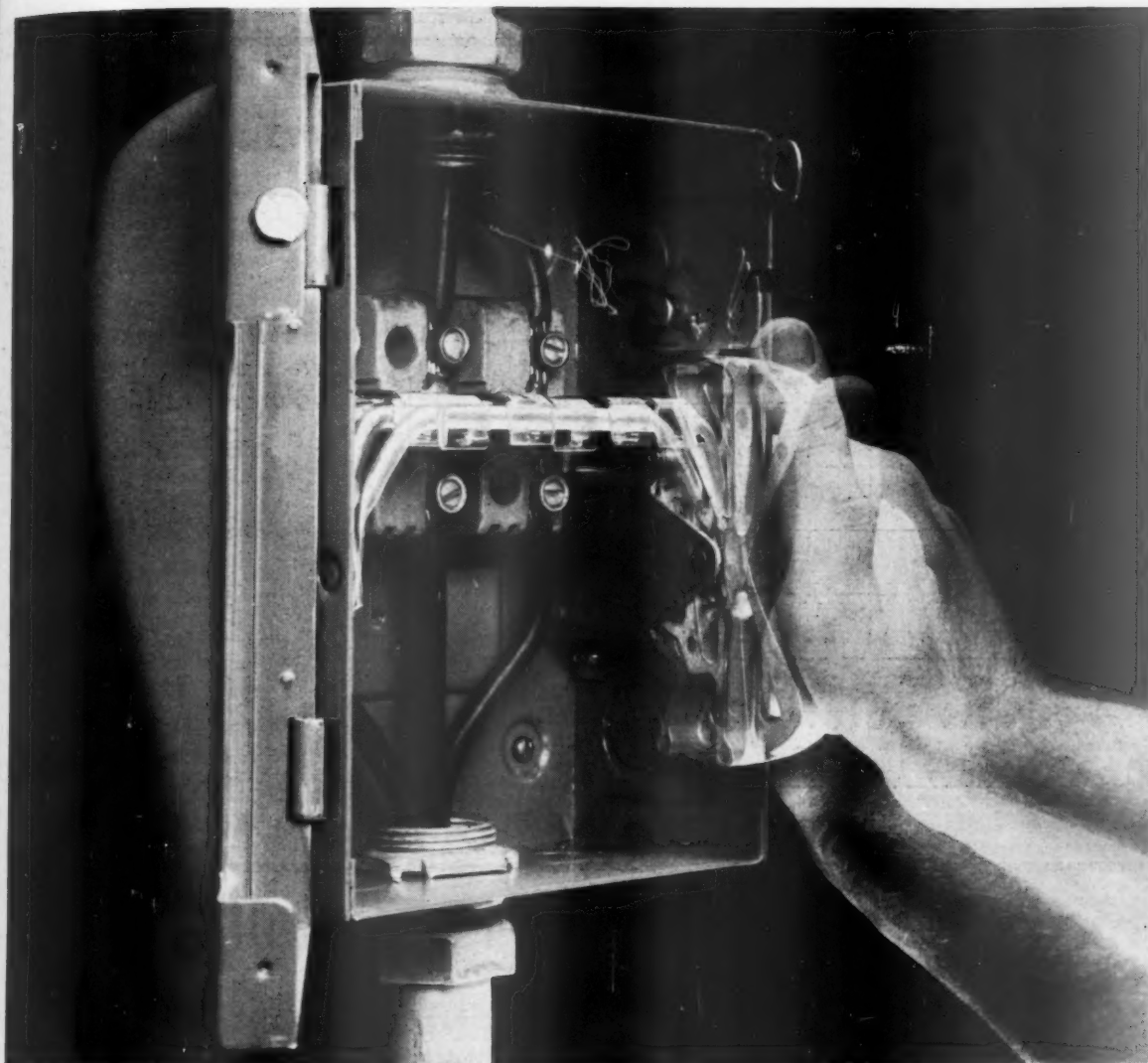
The budget is supposed to give Canadian confidence a lift. Harris counts on the economy regaining the momentum lost last year, and looks for a 5% increase in output to ease the effects of tax cuts on Ottawa's revenues.

That would give Canada a 1955 gross national product of \$25.3-million. The thought cheers Canadians, but some wonder if it's not too optimistic a figure.

As if the continuing coffee crisis wasn't enough, Brazil this week entered upon a time of political trouble. Hectic maneuvering for the fall presidential elections has begun, and many outsiders expect the economic situation to go from bad to a little worse.

Finance Minister Gudin—who hoped to carry through an anti-inflation program (BW—Jan.22'55,p108)—has offered his resignation; apparently most of Pres. Cafe's cabinet followed suit. The resignation seemed to be the result of a deal cooked up by Cafe and Sao Paulo's powerful governor, Janio Quadros.

Whatever the political implications, it's doubtful that Brazil will get the kind of leadership—and financial medicine—it needs this year.



What happened to the arc?

The answer is simple: *there isn't any!* But the question is a natural. Anyone who knows anything about electricity would hesitate to "pull the switch"—even for testing—on a few hundred amperes with the door of the switch box open. Unless, as in the case above, it's a BullDog *Vacu-Break®* Safety Switch!

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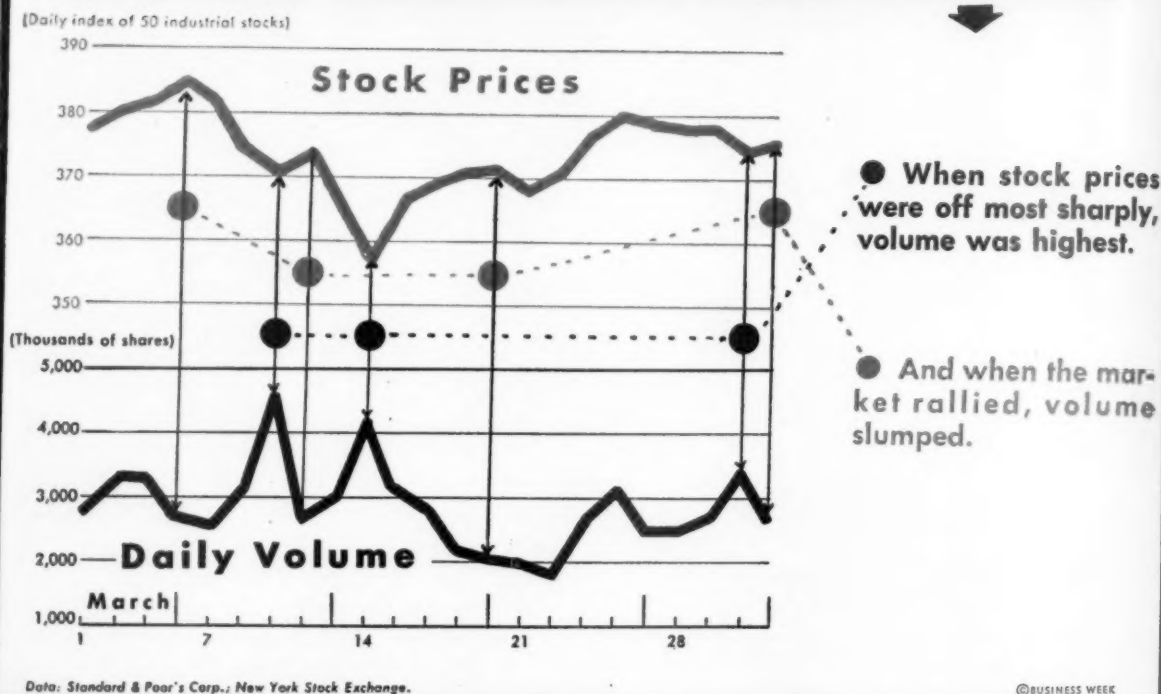
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THE MARKETS

What Happened in March



Shifting Patterns in the 1955 Bull Market

The chart above presents a new pattern in the upward move of the bull market that started back in September, 1953. From that date until the end of last year, stock prices generally moved upward attended by an upswing in trading activity. There were a few exceptions to this pattern, but for the most part when the bull market was strongest, volume on the New York Stock Exchange was heaviest.

This tandem ascent was generally regarded by market observers as a sign of strength at the time. And it was especially marked in the burgeoning market of last November and December, when Standard & Poor's daily index of 50 industrial stocks racked up its biggest gain point-wise on record for a two-month period. In November, six of the eight days of heaviest trading came when the averages were moving upward. And in December the pattern was even more pronounced, with nine of the 10 heaviest trading days coming on the uptick.

• **New Pattern**—The mold set throughout that 15 months was smashed on Jan. 6, 1955, when 5,297,000 shares traded—the best daily volume since

1939—and the 50 industrials suffered their sharpest setback since the outbreak of the Korean War. That day pretty much set the pattern that has dominated the bull market in the first quarter of this year.

This first quarter has been characterized by a bull market marking time (BW—Mar. 26 '55, p. 152). In that period, the 50 industrials have gained around 10 points, just about 25% of the gain registered in November-December of last year. And the previous 15 months' pattern of increasing volume when prices moved up has been reversed, starting with January's turbulent gyrations, and getting stronger through March. In January, four of the 10 days of heaviest trading saw the averages off; in February only three of 10 days of largest volume came when averages were off. But when volume and prices were moving up together, gains were slim in both cases.

• **The Clincher**—March provides the clincher. As the chart shows, the three peak trading days all coincided with slumping stock prices. And, with but one exception throughout the month, when the market rallied, volume was

declining. March volume was the best for the month in 25 years—but the 50 industrials wound up with a net loss on the month of 1.9 points.

While the old pattern of rising stock prices and rising volume was generally regarded as a sign of health, bullish traders and investors have refused to accept the new one as a sign of weakness. While they grant the market is taking a "breathing spell" they aren't ready to consider its recent movements as a mark of vulnerability.

If Streeters aren't paying attention to new patterns in trading and prices, they are watching other areas closely. One of these is the Far East. Another factor setting ulcers afire is the labor situation in the automobile industry. Some Streeters feel investors are laying off shares of General Motors, and smaller manufacturers, until the guaranteed annual wage knot is unsnarled.

• **Worries**—There are two other things worrying Wall Street:

• Will the rediscount rate be hiked, or will other measures be taken by the Federal Reserve to tighten money? This week's rise in commercial paper rates (page 50) and the Treasury

bill rate has reminded Streeters that the Fed has adopted an attitude of "inactive squeeze."

• There's a chance that the dividend relief measure voted last year will be repealed. G. Keith Funston, president of the New York Stock Exchange, has warned exchange members of this (page 156).

While volume last month was at a 25-year top, the market trading leaders increasingly are becoming the speculative favorites of the in-and-outers.

Indeed, the level and importance of speculation is becoming the subject of lively arguments in Wall Street, with cynics holding that the gyrating antics of Hupp, Foster Wheeler, Bath Iron Works, and others indicate the end of the current leg of the bull market—at least for a time. Their more bullish counterparts, however, write off this activity as a minor, though over-publicized, segment of the market, and figure the market will soon have got its wind back for another upward push.

The Stock Market: 1955 Box Score to Date

Stock Group	1954 Close	1955 Range		Recent Level	1955 Change	
		High	Low		Max. Gain	Gain Now
Agricultural machinery	175.3	182.5	173.8	175.8	4.1%	0.3%
Aircraft manufacturing	550.8	629.3	531.3	557.0	14.3	1.1
Air transport	532.7	597.9	502.3	586.9	12.2	10.2
Aluminum	664.0	796.4	645.2	793.8	19.9	19.5
Apparel chains	140.6	152.6	143.0	143.4	8.5	2.0
Automobile	331.9	345.7	329.6	329.7	4.2	-0.7
Auto parts	229.1	242.7	227.7	242.7	5.9	5.9
Auto trucks	163.3	180.6	166.8	170.0	10.6	4.1
Building materials	283.8	299.2	276.9	286.6	5.4	1.0
Carpets and rugs	119.4	130.0	119.4	122.4	8.9	2.5
Chemicals	375.1	382.4	358.7	375.9	1.9	0.2
Coal—bituminous	542.9	571.8	523.3	555.8	5.3	2.4
Confectionery	153.6	151.4	146.4	149.6	-1.4	-2.6
Containers—glass	164.1	177.2	164.5	172.0	8.0	4.8
Containers—metal	148.6	144.9	137.9	138.8	-2.5	-6.6
Copper	236.3	260.8	230.4	260.8	10.4	10.4
Department stores	331.2	340.5	323.4	339.9	2.8	2.6
Distillers	472.7	470.2	437.1	437.1	-0.5	-7.5
Drugs—ethical	197.5	222.5	193.9	222.5	12.7	12.7
Drugs—proprietary and cosmetics	227.8	243.1	220.7	233.8	6.7	2.6
Electrical equipment	329.5	378.1	344.6	350.6	14.7	6.4
Fertilizers	598.1	585.7	549.3	565.0	-2.1	-5.5
Finance companies	256.8	268.2	253.9	262.9	4.4	2.4
5¢-10¢-51¢ chains	127.8	131.4	124.7	124.7	2.8	-2.4
Food	204.0	209.9	202.0	206.4	2.9	1.2
Food chains	366.3	369.8	343.9	344.0	1.0	-6.1
Gold mining, U. S.	75.7	75.2	69.3	70.1	-0.7	-7.4
Lead and zinc	104.2	116.5	104.2	111.9	11.8	7.4
Leather	166.7	202.8	172.7	202.8	21.7	21.7
Machine tools	327.8	365.8	324.1	343.2	11.6	4.7
Machinery	264.9	290.3	259.7	290.3	9.6	9.6
Mail order, general chains	328.7	354.0	324.4	341.0	7.7	3.7
Metal fabricating	314.6	341.7	307.6	330.3	8.6	5.0
Mining and smelting	174.5	199.5	175.4	192.7	14.3	10.4
Motion pictures	251.8	257.7	242.8	243.1	2.3	-3.5
Natural gas	269.9	294.5	275.1	285.6	9.1	5.8
Office and business equipment	468.4	530.2	462.1	530.2	13.2	13.2
Oil—crude producers	930.2	937.8	902.0	913.0	-4.3	-6.9
Oil—integrated companies	415.3	437.8	409.7	431.8	5.4	4.0
Paper	1175.2	1228.3	1130.3	1219.4	4.5	3.8
Printing and publishing	173.7	183.4	172.1	172.4	5.6	-0.8
Radio-TV & Electronics	411.0	458.9	405.3	437.4	11.7	6.4
Railroads	228.6	245.5	219.5	237.7	7.4	4.0
Railroad equipment	135.8	150.2	133.1	150.2	10.6	10.6
Shipping	616.6	679.7	627.8	649.0	10.2	5.3
Shoes	141.9	152.0	141.9	147.0	7.1	3.6
Soaps	294.2	301.2	278.7	289.2	2.4	-1.7
Soft drinks	113.5	122.7	116.1	119.7	8.1	5.5
Steel	343.8	387.1	341.8	379.5	12.6	10.4
Sugar	104.0	111.4	102.7	111.4	7.1	7.1
Textiles—rayon, acetate yarn	362.3	360.1	330.1	350.2	-0.6	-3.3
Textiles—wavers	275.7	285.2	265.9	265.9	3.4	-3.6
Tires and rubber goods	879.7	938.6	856.0	916.0	6.7	4.1
Tobacco	83.1	82.8	79.0	80.2	-0.4	-3.5
Utilities—holding companies	283.4	306.0	284.4	299.8	8.0	5.8
Utilities—operating companies	167.6	177.2	167.8	173.5	5.7	3.5
Vegetable oil	254.4	250.6	231.8	231.8	-1.5	-8.9

Date: Standard & Poor's Weekly Stock Price Indexes (1935-39 = 100).

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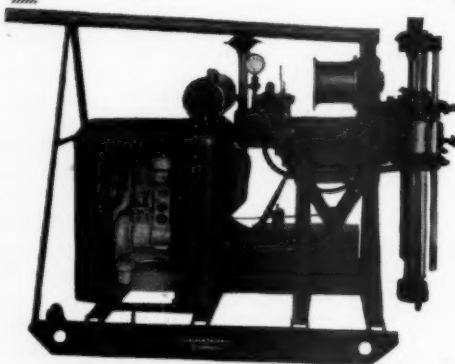
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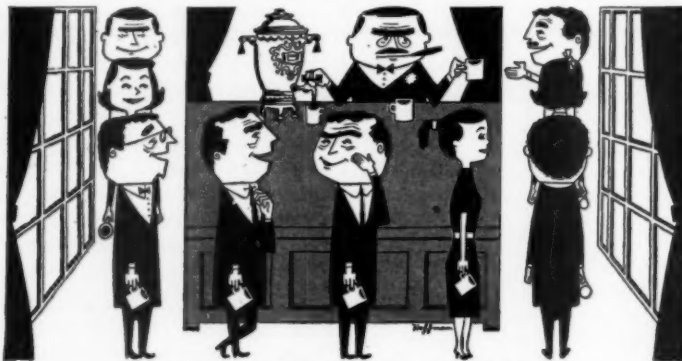
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Sheppard Model 17 is supplied as a complete power package . . .

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Wall St. Talks . . .

. . . about what rumors do to stocks . . . bank merger and "duplicate accounts" . . . quips at Fulbright quiz.

The wild gyrations of various stocks, whirled in the winds of unconfirmed rumors, has upset plenty of brokers. As one smart Streeter puts it, "A couple of crazy-drunk drivers can kill a lot of innocents."

Gossip has it that many big "duplicate accounts" were involved in last week's National City-First National merger. Indeed, some Streeters think a lot of the sharp rise in the stock of J. P. Morgan & Co. last week (from \$287 bid to \$315 bid) was due to hopes that the Morgan bank would gather in many prominent ex-clients of First National.

Fulbright hearing quips that Streeters like to repeat: By Bernard Baruch: "I've never known an amateur to make any money speculating in the market." By the Street's Ferdinand Eberstadt: "Excuse me, senator, but there ain't no such thing as a good tip."

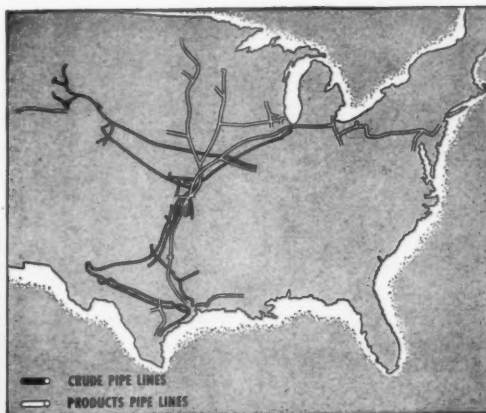
Market letter gleanings: "Traders in atomic shares . . . are dealing in psychology and 'maybe facts' rather than 'established facts.' Probably that's what makes it so much fun. A bird in the bush always seems to be worth more than a bird in the hand—in the stock market." (W E. Hutton & Co.) . . . "Perhaps it's spring that induces an unaccustomed lethargy in trading. In any event, the stock market seems to have succumbed to that tired feeling." (Hornblower & Weeks).

Now Walter Winchell is "tipping" the metal traders. His first dope in that commodity field was on the nose. Last Sunday night Winchell said the price of zinc was going up. Two days later the trade obliged, pushing the price of zinc up 1¢ a lb., to 12¢.

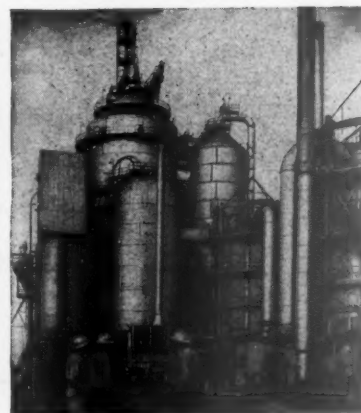
A lot of worried Streeters see danger ahead for the relief from double taxation of dividends that Congress granted last year. One worrier: G. Keith Funston, Big Board president. He warns that "renewed efforts will be made in the near future—probably originating in the Senate—to repeal both of the \$100 dividend exclusion and the 4% dividend credit." He advises members to muster the letter-writing strength of their clients to "reconvince Congress" that dividend tax relief is most necessary.

The **SINCLAIR** Story for 1954

Production of liquid hydrocarbons reached a new high of 128,516 barrels daily. Arrangements were made to buy assets of American Republics Corp. which include valuable producing and undeveloped properties.



New highs were established in the volume of crude oil and refined products transported by pipe line—an increase of about 14% over 1953. Map shows crude and products systems—wholly or partly owned.



Plant additions and operations generally were directed toward upgrading product yield and quality. New facilities improved substantially the power of Sinclair gasolines.



STATEMENT OF CONSOLIDATED INCOME

	1954	1953
Gross Operating Income	\$1,021,461,419	\$935,465,453
Costs and Expenses	914,362,559	841,743,548
Operating Income	\$ 107,098,860	\$ 93,721,905
Other Income	6,953,825	7,010,285
Other Deductions	10,679,429	10,671,184
	\$ 103,373,256	\$ 90,061,006
Provision for U. S.		
Federal Taxes on Income	28,750,000	22,000,000
Net Income	\$ 74,623,256	\$ 68,061,006
Net Income per share	\$6.04	\$5.53



The Company's consolidated gross operating income passed, for the first time, the billion dollar mark, amounting to \$1,021,461,419 or an increase of 9.2 per cent over 1953—a result of "balanced progress."

Net income increased about 10 per cent compared with 1953—excluding a profit of \$16,957,089 derived from the sale of Sinclair's stock interest in Pioneer Natural Gas Company.



Details are included in the 1954 Annual Report. Copies are available upon request.

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In Autos: The Big Show Starts

● UAW opens contract talks with General Motors; Ford will follow next week.

● The union has a list of sweeping demands—on wages, pensions, insurance, hiring, length of contract.

● But the issue that means most to both sides is the guaranteed annual wage.

This Thursday, about three dozen men, bulging brief cases in hand, walked into a large room on the fifth floor of the General Motors Building in Detroit. There they lined up on opposite sides of a long table, and opened 1955's most important labor bargaining.

The negotiators represented General Motors—with Vice-Pres. Harry M. Anderson heading the team—and the United Auto Workers (CIO), with Vice-Pres. John W. Livingston as chief spokesman. The auto industry bargaining—which could result in sweeping contract changes throughout all industry—will become a two-ring affair next week when a second UAW committee sits down with Ford executives. American Motors Corp. also starts bargaining with UAW next week.

• **Who's the Target**—The fact that the auto bargaining began with GM does not mean that company will feel the brunt of union pressure. As of this week, UAW was not committed to concentrating on either GM or Ford. It appears now that UAW will pick its prime target only after preliminary negotiations reveal which strategy is more promising. The effect of this approach is to put equal pressure on the two companies.

Nothing that happened this week—or that is likely to happen within the next few weeks—could give a clue to how receptive or reluctant the companies are to UAW's proposals. There will be weeks of footwork before real battling begins. Each side—as usual—hopes another day of argument will yield another concession.

• **It Takes Time**—Any bargaining package of the size and scope of UAW's demands on GM has to be settled by compromise, and finding the grounds for compromise will take time. In an arm-waving, jaw-jutting speech to the convention last week, Livingston gave his impression of the GM men on the other side of that long table: "They do an excellent job in marshaling all of the facts and figures, and make no

mistake about it, they're rough and they're tough. They're hard as nails at the bargaining table."

Livingston and his people have no intention of being any softer. He said last week: "When considering the profits of these giant corporations, I see no earthly reason why it should be necessary or that we would even be called upon to take any backward step. . . . There's always one bright spot in going to the table with the officials of GM, and that is this: You never have to be ashamed to ask them for money. That's for sure."

• **Other Demands**—With this confidence that GM is able to pay, UAW has presented the corporation with a sizable list of demands, in addition to the highly controversial and possibly highly expensive guaranteed annual wage (page 80). Other demands are:

Higher wages, obtained both by increase in the base rate and by changes in the escalation and productivity increase provisions of the present contract.

Higher pensions, and changes in administration of pensions.

A health security program, paid by the employer and covering both medical and surgical care.

Preferential hiring, according to seniority, both within companies and within industry, of workers laid off.

A shorter contract than the five-year pact, which is just now running out.

How much, or how little, of these demands will be secured by Livingston and his negotiators depends in great measure on what is finally done about the GAW issue. To get its guaranteed employment plan, UAW will give up a lot. The bargaining area in the other demands becomes clear as you examine them in detail.

I. Pensions

The simple part of UAW's pension demands is to raise retirement income to \$2.50 per month per year of service

(it is now \$1.75), with a \$25 minimum for five years of service. For a long-time employee this rate, plus social security, would give a couple about \$230 a month.

But any argument over pensions is more likely to revolve around two other demands: (1) vesting of pension rights; and (2) a union voice in the investment of pension funds.

Although UAW already has about 50 contracts providing for vesting of pension rights, it would become a far more complex problem in a company the size of GM and Ford. The easiest way to preserve pension rights for an employee who leaves one company to work at another is a pooled fund, such as now is operated for tool and die workers in Detroit. But you get into a completely different area when you start talking about pooling GM and Ford pension funds.

UAW is nearly certain to meet resistance to its demand for a voice in investment of pension funds. What the union wants is "to insure investment of a specified proportion of pension monies under proper safeguards in community improvements such as housing and health facilities."

The area of conflict here is easily shown by the fact that now neither GM nor Ford even tell the union where the pension funds are invested. Chrysler does give UAW representatives a statement on investments, but Chrysler officials are opposed to real estate investments.

II. Health Insurance

Warming up for its bargaining, UAW in recent months in Michigan, at least, has been taking pot-shots at Blue Cross, claiming it does not give adequate coverage for employees. It wants a company-paid program that will cover the cost of all in-patient and out-patient hospital and emergency care. It yields a bit on surgical care, conceding that workers should have an option for comprehensive coverage on a contributory basis. As with pensions, it wants joint administration.

III. Preferential Hiring

The union is likely to run into other strong arguments over preferential hiring. It wants a multi-plant company to give preference in hiring to workers laid off from another company plant. It wants workers to have the right to

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move with a plant and retain seniority. So far, so good. But UAW also wants area and industry preference, so that if Chrysler in Detroit, for example, had to lay off workers those men would have first crack at jobs available at Ford in Dearborn. That gets into another sort of "pooled" atmosphere that the auto companies may find difficult to accept.

IV. Length of Contract

The duration of contracts is a bargaining point of prime importance. GM, in particular, feels its five-year contract has been the key to labor peace and wants it continued. UAW says that if the new contract includes escalation and improvement factor clauses it will sign for as long as two years. Otherwise, it wants a one-year contract.

UAW's reasoning is that when it entered into the five-year deal in 1950 it had a year of pension plan experience behind it and could afford a long-term pact. Now, it says, automation has injected an unpredictable element into labor relations and it doesn't want to be tied to a long-term contract. And, of course, there is GAW; if won, a year or so of experience would be needed before anyone could get a clear picture of its future development.

Actually, you could make a case that it would be to the companies' advantage to sign a short-term contract that included GAW—especially since Detroit believes that auto sales and production will continue satisfactory for the rest of this year (thus keeping GAW expense at a minimum) but that they may slide in 1956. However, there is considerable feeling that the companies might agree to some form of GAW in return for another five-year agreement.

• **Reuther's Stand**—The length of the contract issue assumes added stature because Walter Reuther, UAW president, has been as nearly insistent on a short-term deal as he has been on GAW. There is strong feeling in Detroit that Reuther has committed himself so far to GAW that he cannot back down. He is not out on a limb that far on length of contract, although he has made a short-term pact so much a part of the union's determination to keep a check-rein on automation that he will need a major bargaining victory to explain any backing down.

UAW has other, detailed demands, but many—such as continuation of pension and health rights during a layoff—are pinned directly on the obtaining of an annual wage. So, in final analysis, the discussions that started this week in the GM building have to focus on GAW. To avoid GAW, the company might offer the union gains it never even dared ask; to win it, UAW might forego things the company didn't think it had a chance of avoiding.

Union Persuades Mill Not to Move South

Early this year, Kenosha Full Fashioned Mills, Inc., announced that it would move its operations from Kenosha, Wis., into the South, to meet lower-cost competition. The announcement set off a flurry of union and civil efforts to prevent the move.

Last week, the company and the American Federation of Hosiery Workers (AFL) signed an agreement providing for expanded production in the Kenosha mill. To get it, the union made "slight concessions" in wage rates, according to the company, in return for a company promise to operate on a 48-hour basis, with eight hours at overtime premium pay. If the company should return to a 40-hour week, wages will revert to former higher rates.

The union advised workers that they will receive "somewhat" more for the longer work week (including overtime pay) than for the 40-hour week, and that by accepting the adjustment they will help the company meet competition—and stay in Kenosha.

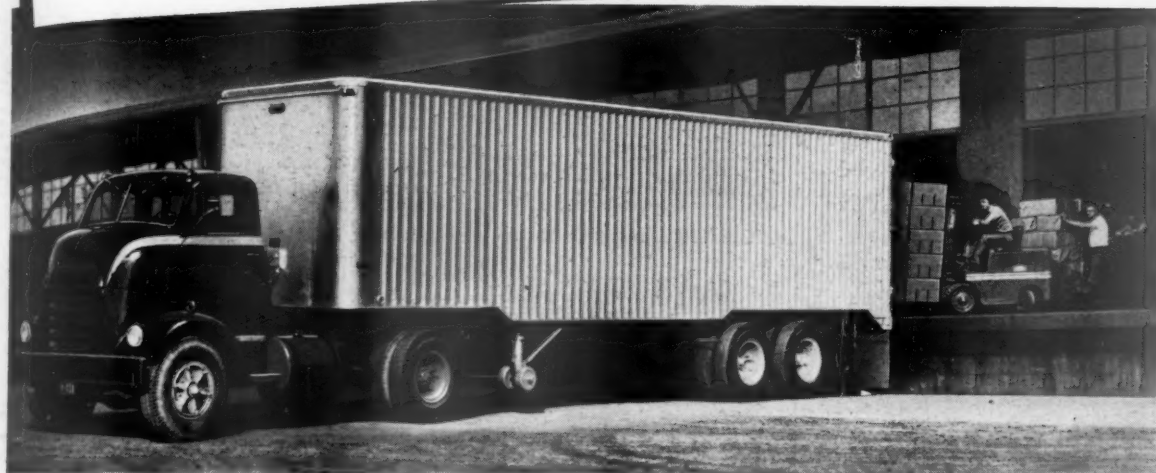
This will result from increased production, allowing the company to spread its overhead costs over more units, company and union agree. Output dropped after the January announcement of plans to move South, from a 1954 level of 3,200 to 3,500 doz. pairs a week to 1,600 doz. In part, this drop was due to skilled knitters leaving the mill for jobs opening up in American Motors Corp.'s Kenosha plant. Employment is now down to 150. Management hopes to build it back up to 300 and to boost output to 5,000 doz. pairs a week under the new agreement.



Handling Wage-Hour

Stuart Rothman, solicitor in the Dept. of Labor, last week was appointed by Secy. of Labor James P. Mitchell to double in brass: He will handle administrative work under the Fair Labor Standards Act and Walsh-Healey Act, pending confirmation of a new Wage-Hour Administrator.

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UAW Fights for Kohler Pact

Strike enters second year with original issues overshadowed by auto union's local fight for survival. NLRB may hold key to the outcome.

The United Auto Workers (CIO) strike against Kohler Co., plumbing fixture manufacturer, entered its second year at Kohler, Wis., this week, with Kohler operating "on a profitable basis." But UAW is maintaining tight strike lines and is prepared to carry on its walkout indefinitely.

About every mediation technique short of knocking heads together has been tried without success in year-long efforts to end the tie-up. Clergymen, a federal judge, Gov. Walter Kohler of Wisconsin (nephew of Herbert V. Kohler, president of the company, but otherwise not connected with it), a state circuit court judge, and a succession of state and federal mediators have tried to bring management and union together. Nobody was able to break the impasse.

Herbert Kohler looks on the strike as a power play by "outside" union leaders; union officials see it as a struggle for moral justice by oppressed workers. Observers feel the two viewpoints leave little room for agreement.

• **Issues**—UAW won bargaining rights for Kohler employees in May, 1952, after struggling for years against a pervasive paternalistic program that staved off national unionism. The auto union sat tight for two years, building up its strength. Then, a year ago, it opened a vigorous contract fight (BW-May 1 '54, p. 136).

Initially, UAW based its strike fight

on arbitration, pension, insurance, seniority, and wage demands. It called Kohler's work terms "inferior by our standards."

On paper, those are still the issues, but now they are overshadowed by something else: UAW's fight for survival at Kohler.

• **1,800 Working**—UAW concedes that 1,800 production workers are entering Kohler's plant daily. According to Lyman C. Conger, chief negotiator for the company, a "guess" of 3,000 working would not be far off. Before the strike, the production work force was about 3,300.

Regardless of how many are working, the company claims it has won the strike and is now operating on a profitable basis, nine hours a day. Allan J. Graskamp, president of the Kohler union, counters that the claim of victory "represents only wishful thinking," and that the company's output is hardly 30% of normal—a figure Conger calls "crazy."

The Kohler UAW Local 833 reported to the auto union's convention in Cleveland last week that 2,800 workers are still on strike, and that 2,400 of them are receiving strike assistance—reported nearing \$4-million. The local is maintaining 24-hour picket lines largely ineffective now.

The Kohler local asked the UAW convention for support; Pres. Walter Reuther assured it that, if necessary, the

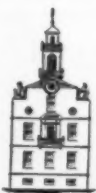
MIT

Dividend Announcement

Massachusetts Investors Trust

DECLARES ITS
122nd Consecutive Dividend

The Trustees have declared a quarterly dividend of 27 cents a share, payable April 26, 1955 to shareholders of record at the close of business March 31, 1955. This dividend is entirely paid out of net income received by the Trust on its investments.



ROBERT W. LADD, Secretary
200 Berkeley Street, Boston



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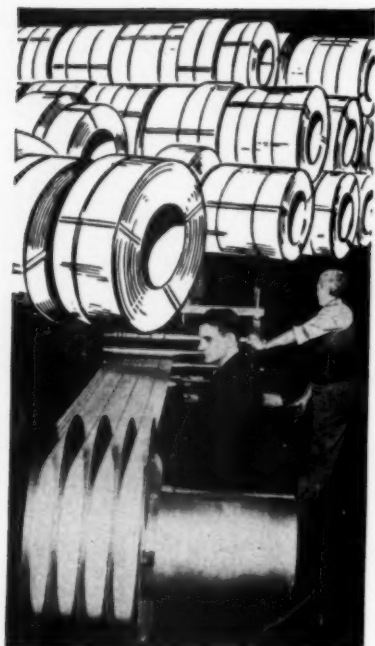
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Coil weights ranged from 4082 lbs. all the way down to 80 lbs.; production from 11,135 lbs. down to 629 lbs. per hour, varying with coil size, number of cuts made to the width, and gauge of strip.

The 4th edition of the **YODER SLITTER BOOK**, just off the press, gives more complete data on each of these jobs, and in addition discusses many subjects bearing on the mechanics and economics of slitter operation, in plants using anywhere from 50 tons per month up to a thousand or more. A copy is yours for the asking. Also estimates and recommendations, without cost or obligation on your part.

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strike will be continued against Kohler "until doomsday."

• **NLRB Charges**—UAW filed unfair-labor-practice charges against Kohler with the National Labor Relations Board early in the strike, alleging that the company refused to bargain in good faith. A complaint was issued against the company, and hearings were held for three days in February. They were adjourned when the UAW local filed additional charges that (1) Kohler's alleged unfair labor practices had actually caused the strike, and (2) discharge notices had "discriminatorily" been sent by Kohler to 91 local officers, ranging from president down to shop stewards.

Because complaints can only be issued—or amended—by the Taft-Hartley general counsel, and the office was then vacant, further NLRB proceedings were postponed. Now that the post is filled (BW—Mar.19'55,p180), action may be imminent. If the complaint is

amended, and is upheld by NLRB and then, in certain court tests, the company, under T-H, could be required to offer reinstatement to all strikers except those who might have engaged in illegal strike activities.

This could raise problems for the company, which has promised newly hired workers that they won't be fired to make room for returning strikers if the walkout is ended.

Kohler, however, is prepared to countercharge that UAW no longer represents a majority of its employees.

• **Impact**—The year-long strike has had strong effects on residents of Kohler and nearby Sheboygan, where many strikers and nonstrikers live. Good friends in pre-strike days are no longer on speaking terms because some are striking, others working.

Merchants were hard hit when the strike started and the Kohler payroll was way down. Now they feel they have weathered the worst of it.

Jobless Pay vs. Guarantees

Minnesota agency allows workers paid severance to claim immediate jobless benefits also . . . In New York, an employee under GAW plan is refused jobless pay.

Union pay guarantee demands have made employers even more conscious of state jobless-pay rulings—particularly those involving workers under severance pay or guaranteed annual wage contracts.

This week, employers found two decisions to mull over. One, in Minnesota, upheld jobless pay for certain workers who got severance pay when laid off. The other, in New York, barred unemployment compensation to a worker under an annual wage contract (page 166).

The Minnesota decision is doubly significant now because severance pay and call-in pay may furnish the grounds for a compromise settlement of GAW demands (BW—Apr.2'55,p122).

Cudahy Packing Co. shut down a plant at Newport, Minn., last fall. Under its union contract with the United Packinghouse Workers (CIO), it paid severance pay to 900 production workers and to 200 office workers not covered by the UPW contract. The payments were in a lump sum, figured on the basis of length of service.

The Cudahy workers, supported by UPW, filed UC claims. The Minnesota Dept. of Employee Security ruled them ineligible for jobless pay for the number of weeks that would be covered by prorating their severance pay checks. UPW appealed the decision, in behalf of the workers. Last week, the state agency reversed the early ruling; it decided that the Cudahy workers were entitled to

UC beginning 12 days after the layoff—the legal waiting time in Minnesota.

The decision (which involved \$500,000 in payments) was based on a new answer to the key question: Should severance pay be considered wages paid in advance, or compensation for what was "earned" in the past? The first ruling was based on the "wages paid in advance" theory; the second, which went more fully into the conditions under which the Cudahy severance payment was met, was based on the second theory.

Checks distributed by Cudahy in October and November specified, as part of the endorsement: "Received payment stated on the reverse side hereof as severance pay for the period of . . . weeks commencing . . . , my employment relationship with The Cudahy Packing Co. having terminated." The state agency took this as prima facie evidence that each payment was for a specific number of weeks after Oct. 15, 1954, the date of the severance payment.

UPW asked for a rehearing. It presented an affidavit signed by John Crowell, manager of labor relations for Cudahy, in Omaha, Neb., which said that the language on the pay check was not intended to mean the check was advance pay for a given number of weeks; Crowell said it was only intended to show the employee the basis for the payment, and to serve as an accounting



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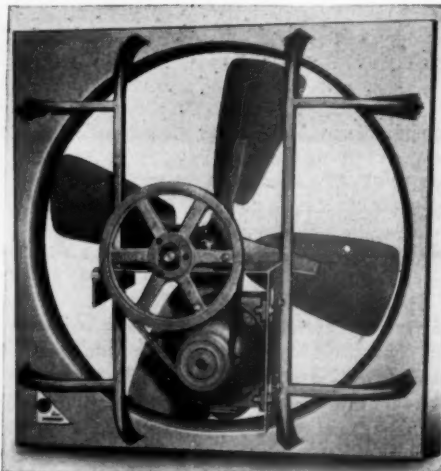
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record. The state agency's reversal of UC was based on the affidavit. The company did not participate in the initial hearing.

Several things should be kept in mind in considering this ruling:

- State laws and their interpretations differ, so what happened in Minnesota might not happen in other states and situations.

- The Minnesota ruling applied to a company with a union contract calling for severance pay; state agency spokesmen noted that the ruling could have been different if (1) a company had given severance pay voluntarily, or (2) it had specified in some way that the payment was in the form of advance wages.

- The number of weeks of UC due workers wasn't at stake — just when jobless pay would begin. This is primarily important for employers; a delay in the start of UC payments could help the employers' ratings under state merit systems, if severed workers find new jobs — thereby reducing the probability of an increased UC tax.

The New York case, involving a decision by the State Unemployment Insurance Appeals Board, spotlighted one of the tough problems posed by GAW negotiations: how to mesh guaranteed pay, in layoffs, to UC benefits.

The case arose from an unemployment compensation claim by an employee covered by one of a number of guaranteed-pay plans negotiated with sugar refineries by the United Packinghouse Workers (CIO) and International Longshoremen's Assn. (Ind.). Under the plans, workers with one year's seniority are guaranteed 2,000 hours' work or pay each year.

Initially, the employee was declared eligible for unemployment benefits because she hadn't received any guarantee payments under the plan and — due to certain eligibility provisions in the plans — might never collect "guaranteed" wages. On appeal, the board ruled that the employee, who had subsequently received payments under the guaranteed plan, was therefore not totally unemployed nor eligible for unemployment compensation.

The New York law is vague on how much income, if any, a person receiving unemployment compensation may have, so the problem has been left to interpretation by the board. This case is the first dealing with GAW to be heard by the Appeals Board, although, according to union records, four such cases have been decided under the New York unemployment insurance law — two decisions barring immediate UC to those under guarantee plans, and two allowing it.

Minimum Pay . . .

... must be determined on a local—rather than nationwide and industrywide—basis, federal court holds.

This week, a federal court in Washington, acting for the first time under an amendment to the Walsh-Healey Act that was passed in 1952, held that wage determinations cannot be made on a nationwide basis.

The 19-year-old act covers government contract work, and through the years has evolved into a means of trimming wage differentials between the North and South. The new ruling bars the use of the law for that purpose.

The decision, by Federal Judge Alexander Holtzoff, is important for three reasons:

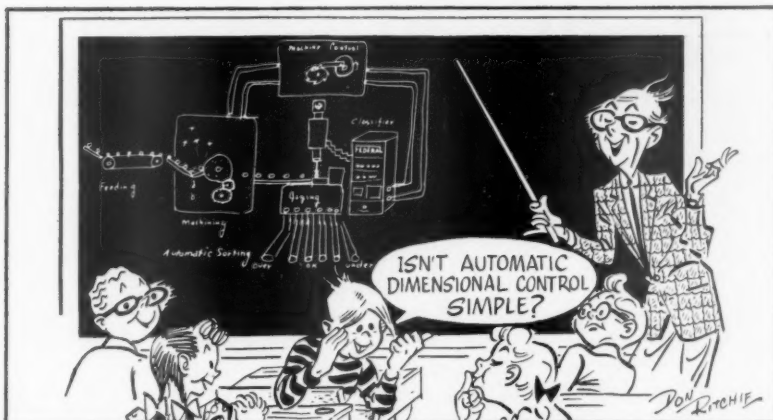
- It restricts the authority of the Secretary of Labor to set minimum rates for government contract work for an entire industry on a nationwide basis—as Labor Secretaries from Frances Perkins on have done. Walsh-Healey orders have been issued in 42 industries; in all but three (chemicals, iron and steel, paint and varnish) a single national minimum wage has been set.

- These 42 existing determinations will stand until court tests are completed, but if the Supreme Court confirms the lower court opinion, companies now operating under nationwide minimums (ranging from 75¢ to \$1.40 an hour) will be free to challenge their minimum rates.

- While Labor Secy. James P. Mitchell may continue to make industrywide determinations until the issue is settled, once and for all, in the courts, enforcement of any new determinations will be impossible until then. Thus, Mitchell is blocked from enforcing an ordered but long delayed \$1 an hour minimum for cotton textiles; and current consideration of minimums in the bituminous, the woolen and worsted, and the electric lamp industries become almost pointless.

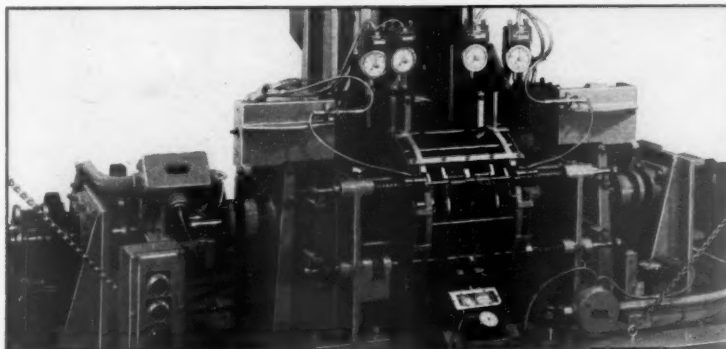
- **Test Case**—The Southern textile industry's objections to the \$1 cotton minimum, ordered by the late Maurice Tobin as one of his last acts as Secretary of Labor, brought the Walsh-Healey determinations issue before the court. Under the law, passed in 1936, the Secretary of Labor is empowered to set minimum wages determined "by the prevailing minimum wages for persons employed on similar work or in the particular or similar industries or groups of industries currently operating in the locality" in which materials are to be manufactured.

This provision was designed to bar



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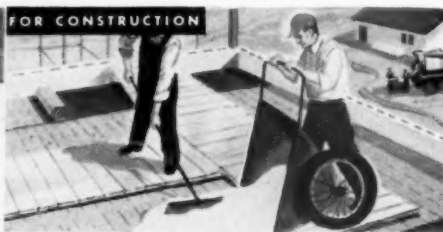
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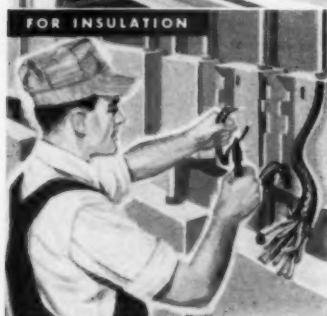
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employers from undercutting wages to win government contracts through low bids. It was quickly adopted, however, as a device for equalizing wages between higher paying Northern industry and the traditionally lower-paying South. The Labor Secretaries interpreted the reference to "particular or similar industries or groups of industries" broadly, to permit industrywide determinations.

Southern industry, particularly, argued for years that the significance of the word "locality" in the law was being ignored. However, until 1952, when Congress passed the Fulbright amendment permitting a court review of Walsh-Healey orders, foes of industrywide determinations had no place of appeal. The cotton textile determination offered the first opportunity for a court test.

LABOR BRIEFS

AFL's auto union is determined not to be forced into a merger with CIO's much larger United Auto Workers, once AFL-CIO amalgamation is accomplished. The AFL union was last reported to have about 100,000 members as compared with UAW's 1.5-million. Its president, Earl Heaton, has just assured AFL that any pressure for a merger with UAW would be "resisted . . . to the maximum of our ability."

Shorter hours, which UAW says will be its next bargaining goal, is considered in the United Steelworkers (CIO) to be a negotiating "must"—perhaps in 1956. USW's Pres. David J. McDonald is supporting UAW's guaranteed wage fight (BW—Apr. 2'55, p125) and predicts it will help USW get a similar guarantee next year. But regional USW meetings are being told that "GAW is not necessarily the answer to [automation] problems. . . . We must couple it with a reduction in work hours."

A wage settlement negotiated by Colgate-Palmolive Co. and CIO and AFL unions boosts pay 8½¢ an hour for employees in Jersey City, Kansas City, Kan., and Clarksville, Ind. The unions struck for 19 days (BW—Mar. 19'55, p174) but agreed last week to return to work pending the outcome of further pay talks.

Wage increases in March averaged 6¢ an hour in contracts reported to the National Foremen's Institute, a management service. The jump (for the month before, the average was just over 5¢) was due to larger increases in oil, chemicals, and printing industries, according to NFI. Most raises (62%) were in a 5¢-to-8¢ range; 9¢ or more was reported in 18% of the contracts analyzed.

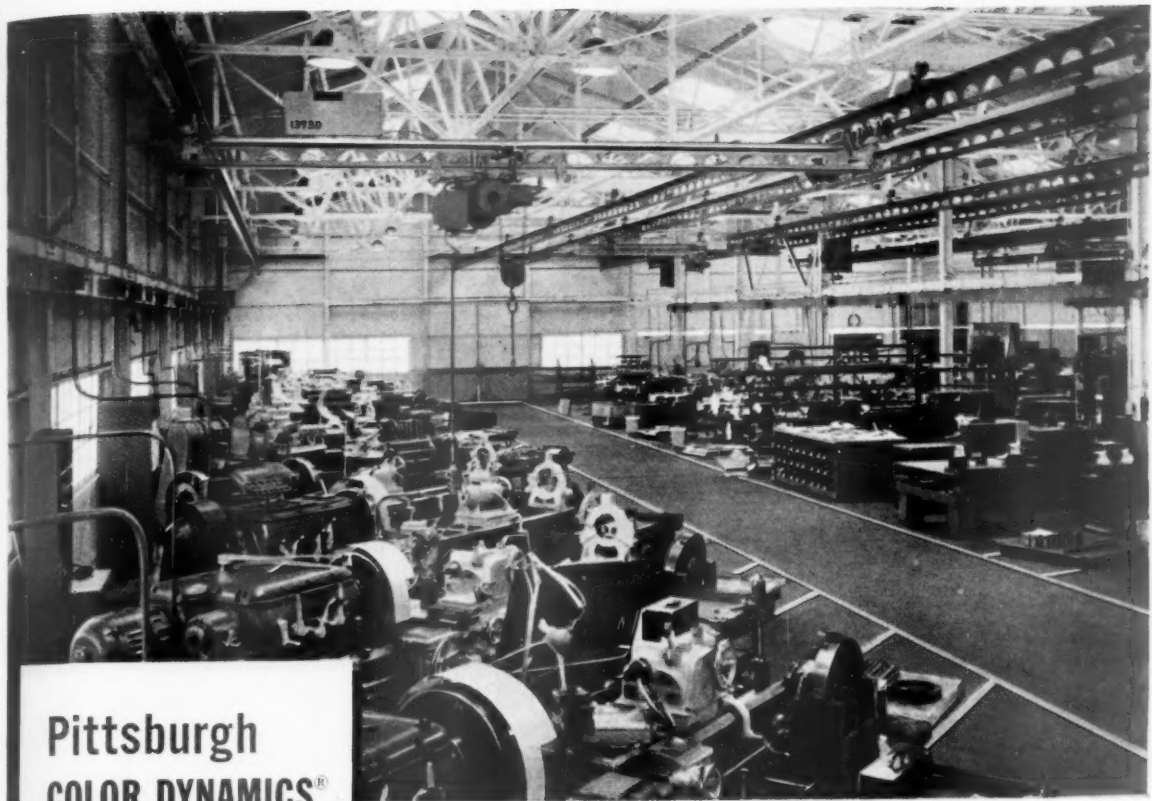
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HOW management and workers benefit from the use of Pittsburgh COLOR DYNAMICS is demonstrated daily in the machine shop of the western headquarters plant of the Westinghouse Electric Corporation at Sunnyvale, California.

This huge structure of steel and reinforced concrete was painted according to the principles of COLOR DYNAMICS to increase efficiency and provide cheerful surroundings.

Interior walls and ceilings were painted to raise the light level so that machinists can read micrometer markings easily. Stationary parts of machine tools were painted restful Vista Green and working parts Focal Ivory. Levers were painted Focal Yellow and electric controls, Focal Orange.

By reducing the effort needed to differentiate between machine, materials and controls the operator is able to focus his attention better on his task. Eye strain, nervous tension and physical fatigue are lessened.

Cranes, overhead conveyors and traffic lanes were painted with safety colors to reduce danger of accidents.

How successfully such purposeful use of color has contributed to productive efficiency and employee morale is summarized in this comment of G. F. Gayer, Plant Manager:

"We are so convinced that COLOR DYNAMICS has bettered production and employee relations in our machine shop that we are extending this method of painting to our other buildings. We want our other workers to benefit from such improved environment. Pittsburgh is to be complimented on the contribution to industrial planning its modern painting system is making."

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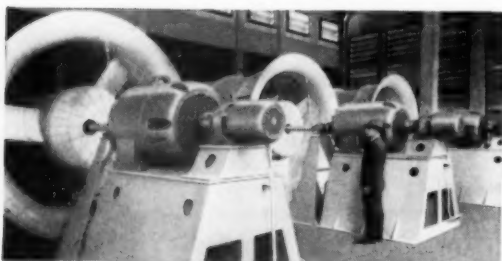
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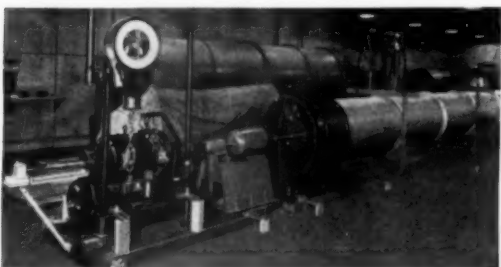
North entrance to West Virginia Turnpike's Memorial Tunnel. American Blower Fans exhaust fumes from three huge outlets above the entrance. General consultants: Howard, Needles, Tammen & Bergendoff, Charleston, W. Va. Tunnel consultants: Singstad & Baillie, New York, N.Y. Contractor: Kuhn Construction Co., Charleston, W. Va.

Giant fans blow fresh air through a mountain

Powerful American Blower Fans keep air fresh, and free of exhaust fumes, in West Virginia Turnpike's \$5,000,000 half-mile Memorial Tunnel



American Blower Fans at south entrance to the Turnpike's Tunnel force air one-half mile through mountain.



Scale model was built and tested in American Blower laboratory prior to construction of Tunnel's huge fans.

WEST VIRGINIA'S 88-mile \$133 million Turnpike — from Charleston, W. Va., to Princeton, W. Va. — is the first completed segment of a superhighway network linking the Great Lakes with Florida.

Most spectacular feat of its construction is the Memorial Tunnel burrowing through the heart of a West Virginia mountain. Open-ended, and over a half-mile in length, the tunnel posed a mountain-sized ventilation problem — which was solved using powerful American Blower air-handling equipment.

Three American Blower Vaneaxial Fans at the south entrance draw in outdoor air at up to 570,000 cubic feet per minute; three similar American Blower Fans at the north entrance exhaust the gas-laden air caused by the heavy vehicular traffic. Although the tunnel will handle approximately 10,000 vehicles daily, air inside remains fresh and free of exhaust fumes!

If you have an air-handling or air-conditioning problem, get in touch with your nearest American Blower Branch Office. American Blower engineers are familiar with the special problems of many industries. The same services are available in Canada through Canadian Sirocco Co., Ltd.

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PERSONAL BUSINESS

BUSINESS WEEK

APR. 9, 1955

A BUSINESS WEEK

SERVICE

The extra month's grace allowed in filing income-tax returns has made little difference—many people are waiting till the last minute.

If you are, too, better not delay longer. The government means it when it says that Apr. 15 is the deadline. A postmark on that date isn't enough; your return should reach the District Director on or before it. (However, a delay in mail delivery is excusable; you won't be penalized for late filing.)

What if you can't meet the Apr. 15 deadline? In that case, apply immediately to the District Director for an extension. He can grant you up to six months (more time for those abroad).

There's no official application form for an extension. You ask for it through a letter written on your stationery, giving your reasons for the delay and the time you need. The important thing is to act fast, so the request can be acted upon in time.

Remember that even if you get an extension, you'll have to pay interest on any tax that's due. It's figured at the rate of 6% from the due date (Apr. 15) to the date you file.

Whether you prepare your return yourself or have someone do it for you, one thing may disconcert you. That is the fact that you will probably have several off-the-return statements. You will have a lot more this year than previously.

Don't assume that a number of such statements will unnecessarily draw the tax collector's cold eye to your return. The opposite is more likely—because even though a crowd of detail has been compressed onto this year's return, there still isn't room for all the information needed to prepare an accurate report. Lack of sufficient detail may invite scrutiny faster than too much.

Here's a run-down of some of the areas in which you'll probably have to prepare a separate statement. If you're on the last-minute merry-go-round, it may facilitate your work:

- **Your exemptions.** This year's form allows only enough room to list four children. If you have more, list all your kids on a separate statement. On your return, write "see attached statement" and the total number of children.

- **Travel or transportation expenses.** There's no room at all for this. Detail separately such items as hotel bills, meals, travel. Carry the total to your return, subtract it from the wages you've listed. (If your return is audited, you may have to fill out Form 2106—a detailed questionnaire that attempts to pin you down on your travel-expense claims.)

- **Dividend income and interest income.** There's space for four corporations that have paid you dividends, room for five sources that paid you interest. If you have more of either, list them separately. Transfer the total to the return.

- **Security and property sales.** Although the government supplies a separate Schedule D to list these transactions, there is space for only four long-term and four short-term capital gains. So more than four deals of either type require a separate schedule.

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

APR. 9, 1955

• **Rent or royalty income.** Instructions on the return call for separate, itemized lists of your repair and other expenses.

• **Deductible expenses.** When making a separate list of medical expenses, be sure not to list drug and doctor bills together. Make two separate lists—one showing just drugs, the other all other medical costs.

• **Helping support a dependent.** If you contribute less than half but more than 10% of total support, and the other contributors agree that you can claim the exemption, you have to attach a list naming all contributors. In addition, attach waivers (Form 2120) signed by them.

Prepare your statements or schedules on regular 8½-in. by 11-in. stationery.

—•—
There's some recent good escape reading—fact and fiction; in westerns, action, and espionage—for the tired executive. Some of the better works you can pick up through your bookstore:

Pictorial History of the Wild West, by James D. Horan and Paul Sann (Crown; \$5.95), is a book of fact that every fan of the American West will want. Packed with information, some of it hitherto unpublished, on the early outlaws and sheriffs.

Out West, edited by Jack Schaefer, author of *Shane*, (Houghton Mifflin; \$4) contains 36 top short stories by the best contemporary writers.

Dead Man Pass, by Peter Dawson (Dodd, Mead; \$2.50); and **Cry, Coyote**, by Steve Frazee (Macmillan; \$2.75) are both good western novels.

If you like the sea, by all means read **The Good Shepherd**, by C. S. Forester (Little Brown; \$3.95)—a novel of a U. S. destroyer captain's battle with U-boats while escorting a convoy to England in World War II.

In espionage, Helen MacInnes (*Above Suspicion*) has another top-flight novel, **Pray for a Brave Heart** (Harcourt, Brace; \$3.75). And Macmillan has published a couple of good spy thrillers: a reissue of **Murder in Trinidad**, written in 1933 by John W. Vandercook (\$2.75); and **Live and Let Die**, by Ian Fleming (\$3).

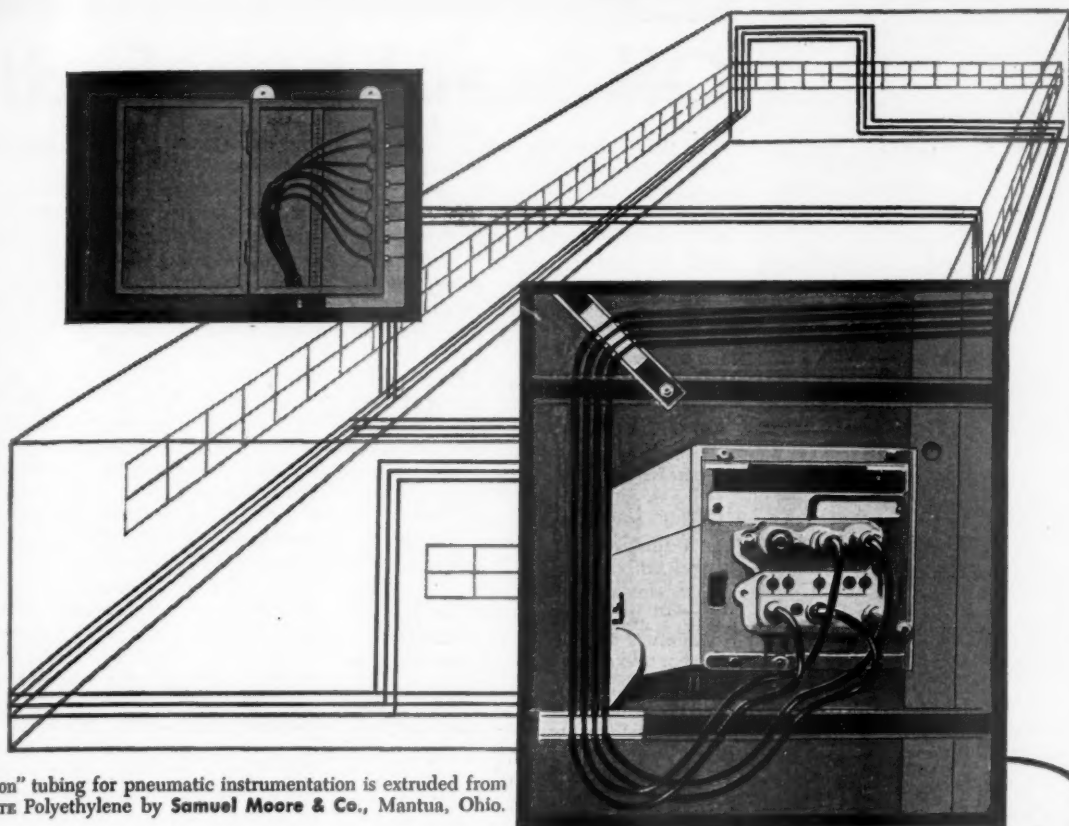
—•—
A credit card makes a bon-voyage gift that will last throughout a trip to Europe. It cuts down on the dangerous need to carry cash or travelers' checks, allows charging of meals and purchases.

One company with credit arrangements abroad is plugging the gift-card idea. It is Travelers Credit Service, 11 East 44th St., New York 17, which has such arrangements only with the best European suppliers of goods and services. Memberships cost \$15 apiece.

Several other credit organizations—including the Diners' Club—which function mainly domestically, also have credit arrangements abroad.

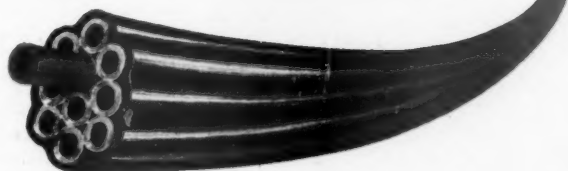
—•—
A new aluminum slide rule figures the miles-per-gallon you get on your car at a glance. It sells at accessory stores and service stations for \$1.

—•—
You won't have much trouble getting a good French wine these days. During the past 10 years, France has had an unusually large number of good vintages. Experts list 1945, 1947, and 1953 as "great" years, put 1949 and 1952 close behind.



"Dekoron" tubing for pneumatic instrumentation is extruded from BAKELITE Polyethylene by Samuel Moore & Co., Mantua, Ohio.

Why these plastic tubes



MAKE THE BEST "NERVES" FOR AUTOMATIC CONTROL SYSTEMS

Quarter-inch tubing extruded from BAKELITE Brand Polyethylene effected savings of more than ¾ million dollars for one chemical plant! Installation costs averaged only 14½ cents per foot, compared with \$2.10 for traditional methods using rigid metal tubing.

There are several reasons for this saving in pneumatic instrumentation. The flexible tubing simplifies installation around corners and in otherwise inaccessible areas. A knife and wrench are the only tools needed. The fittings that join the tubes need be only finger-tight. No protective coating is required because polyethylene is inert to chemicals and corrosion.

Because polyethylene is the lightest commercial plastic, greater lengths of

tubing can be handled without elaborate supports. When required, they can be carried in conduits, above or below ground. They also come ready-packed in a harness extruded from BAKELITE Vinyl Plastic. Flexible and tough, it speeds installation and adds protection. Colored polyethylene tubing simplifies coding.

BAKELITE Polyethylene has the right combination of properties that are important for low-cost, trouble-free pneu-

matic instrumentation. And this is just one of many fields in which it is serving successfully. For the full story, write Dept. CF-61.



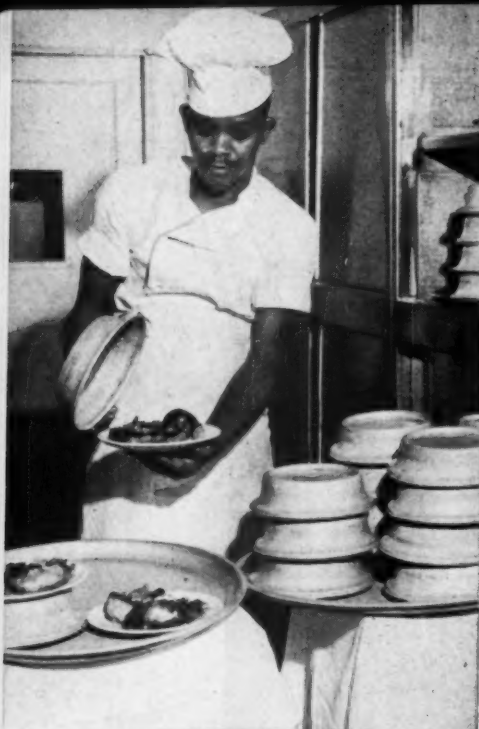
BAKELITE COMPANY, A Division of Union Carbide and Carbon Corporation **UCC** 30 East 42nd Street, New York 17, N. Y.

In Canada: Bakelite Company, Division of Union Carbide Canada Limited, Belleville, Ontario

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COMPANIES

Off-Beat Ideas: Each b L



FOOD BANK that permits a caterer to prepare an entire banquet well in advance is catching on with some of the big hotels.



ELECTRONICS LAB that is making a name for itself in the guided missiles field started life as a television repair shop.

In the eddy of the big business current, a growing number of small companies are quietly making money in all sorts of strange ways. Some of them fall into their niche by accident; some lead a hand-to-mouth existence before their off-beat product finally clicks; others are lucky enough to catch onto the coattails of a bigger industry.

In Washington state, for example, a top-heavy fruit-picking machine toppled its manufacturer out of the apple tree into the guided missiles field. In Missouri, a small company went into the same kind of "space" work via a television repair shop. In Kansas, a school teacher and a few farmers are turning out aluminum popcorn poppers between crop seasons. In Oregon, one man is making a nice thing of canning moose and other off-the-beaten-track delicacies. In Memphis, a company is trying to keep abreast of its orders for a "food bank" for quickie meals. And in St. Louis, a perambulator maker has figured a way to get the baby back into the buggy.

To get an idea of the economic forces that shape the careers of these companies, let's take a closer look at some of them:

I. Apples to Rockets

Once upon a time—actually, only eight years ago—there was a machine shop in Leavenworth, Wash., run by a group of orchardists. Stemm Bros., which operated the shop, manufactured the Hi Tender hoist (picture, right). The original function of the hoist, which looks and works like a forearm, was to lift a farm worker up and over the top of an apple tree to pick apples. The machine worked, but on uneven orchard ground it was top heavy, and occasionally pitched the worker into the trees.

Stemm Bros. put more engineering into the device, and it was put to work on utility poles (BW—Jan. 7 '50, p. 53). The company sold about 150 units for this use.

Daniel H. Zwight, general manager, then tried to get some government work. His pitch was that the Hi Tender could be used to service bomber-tail assemblies. But he had to wait too long for an answer. His funds ran out and he went back to Leavenworth empty handed.

• **The Start**—Out of his Pentagon wanderings, however, Zwight got a surprise order for four Hi Tender units from the jet propulsion laboratories at California Institute of Technology, to be

used in top secret work on the ground handling of guided missiles.

Shortly after, Firestone Tire & Rubber Co., prime contractor for the missiles, began ordering Hi Tender for missile firing operations.

Army Ordnance and Hi Tender engineers started to redesign the machine. For the missile work, two things were needed: (1) The arm had to reach much higher (to twice its original length of 35 ft.); and (2) the operator's cage had to have more sensitive controls, because falling into an armed missile is more serious than falling into an apple tree. The final model lifts technicians up over the warhead within easy reach of the delicate detonation instruments.

As a guided missile servicer, Hi Tender is in continuous production today under a series of four subcontracts from Firestone. Only 15% of cage-lift sales are for strictly commercial use.

• **New Fields**—The company, armed with these military sales, is expanding the commercial side of the business by setting up a national sales organization and a research lab for new products. According to the company, Hi Tender has proved ideal for street light maintenance, roadway tree trimming, overhead work in large industrial plants, and service of high-tension powerlines.

The basic model (35-ft. lift) sells for \$4,500; special models (up to 80 ft.) run as high as \$15,000. Gross sales last year were \$600,000—more than four times that of the apple-picking days.

II. Repairs and Robots

Missouri Research Laboratories, Inc. (picture, left), of St. Louis, is another small company that heeded the call from the outer space world of guided rockets, radar, and atoms. MRL took off for this realm from an ordinary TV repair shop run by four scientists.

Albert H. Eicher, a scientific adviser for the Air Force during World War II, wanted to start a company in the then new field of airborne electronics. Shortly after the war, he formed MRL, and took in as colleagues John Hexem, a researcher at the radiation laboratory at Massachusetts Institute of Technology; Beth Cheetham, a methods analyst for Lockheed Aircraft; and John H. Leutwiler, an electronic aviation controls engineer.

The company was short on capital,

Living for Someone

orders, and financial connections. But it was long on ideas for electronic aviation gear. It presented to corporations scores of proposals covering scores of pages. No one was interested.

• **Pot Boiler**—What little money the scientists had soon evaporated, so they went to work repairing TV sets in homes. In the first year, MRL grossed only \$8,000. But trade picked up as customers discovered that the shop also designed and built sets. The second year gross was \$39,000; the third year topped \$173,000.

Meanwhile, the scientists continued to send out proposals for aviation electronic devices. Some of their ideas began to pique the interest of industry, and orders trickled in. The first job involved a homemade electronic brain to help construct a radar navigation computer. The job contained 624 vacuum tubes.

• **Success**—As aircraft makers began to hear more and more of the St. Louis laboratory, orders picked up. These contracts gradually replaced the TV repair business, and MRL was in the field to stay. The company now grosses more than \$2-million a year, has increased its payroll from four to 225. Currently, it is working on a guided missile device that will eliminate an error of 1,000 ft. in total navigation of the globe. Commercially, MRL sells electronic measuring machines and locks that "think" with an electronic brain.

III. Kansas Poppers

The town of Quincy, Kan. (pop. 90), is hard to find on the map. Its business section is made up of two grocery stores, a post office, a combination filling station-cafe, and a small building housing a few power lathes.

The small building housing the lathes, however, is in a sense the headquarters of an international aluminum business. It belongs to Quincraft, which manufactures a new, funnel-shaped aluminum popcorn popper. These gadgets are popping corn in such far-off spots as Greece, Panama, England, and Canada.

• **Gadget**—The whole thing started two years ago when J. E. "Ed" Lewis, a former high school teacher and grocer, designed a popper with a new twist. His brother-in-law, a Kansas City manufacturer, persuaded him to try his hand at manufacturing the gadget. Last year, Lewis and seven employees (most of them farmers) ground out more than 80,000 poppers.

Lewis quit his school teaching job to train the farmers in shop work. According to him, the farmers are mechanically minded and got the knack fast. Lewis gears his production schedules to "slow" for harvest time, "fast" for off season.

The finished product requires no shaking and no preheating. The aluminum cone (3 in. at bottom, 10 in. at top) forces the unpopped kernels back to the bottom where they explode and keep the mass in agitation.

IV. Moose by the Can

Blundell Kanning Kitchen (picture, right) will can anything from a moose to a truckload of peaches. Housewives, sportsmen, farmers, and tourists in and around the plant's home in Salem, Ore., find it a mighty convenient service.

Ron Blundell, the owner, learned the trade during school vacations spent working in a commercial cannery and in a four-year course in food technology at Oregon State College. He opened his "custom cannery" eight years ago.

His open kitchen, with its vats and other equipment, is in an 8,000-sq. ft. building designed for community canning. The place has a capacity for 40 people at long kitchen tables—where often there are a dozen different kinds of foods in preparation at once.

• **Open House**—When an amateur canner brings in something to be canned, he is instructed in the art of cleaning, peeling, pitting, skinning, or boning. Sugar or salt is added if necessary (Blundell supplies salt tablets, but not sugar).

The individual canner then packs his product in the can—usually in quart (No. 2½) or pint (No. 2) sizes, and pays for the service by buying lids at 12½¢ and 10¢ apiece. The lids are stamped with the canner's number and the name of content, and in a few hours the customer can pick up his job cooked, canned, and sealed.

Business has more than tripled since Blundell Kanning Kitchen opened. Last year, it checked out more than 130,000 No. 2½ cans and 100,000 No. 2 cans at the lid desk. It also sold 5,000 No. 5 (gallon) cans to local school cafeterias.

• **Everybody Wins**—Blundell finds that tourists are booming the local produce and game trade. He has neighborhood farmers, fishermen, and hunters lined up to steer out-of-towners to his cannery. That means more business for local growers. "One woman tourist found that she could can the stuff at



CUSTOM CANNERY that packs anything from game to fresh peaches also helps local farmers dispose of their produce.



LONG-ARM HOIST that puts technicians within easy reach of missile warheads was designed as an apple-picking aid.



Lacquer goes "direct-from-drum" to spray booths at *HAMMOND ORGAN*



This beautiful Hammond Organ is one of the many nationally known products finished with the help of Graco Powerflo paint pumps in simplified circulating systems. The 34-page Powerflo catalog displays these pumps in a broad range of sizes, types and applications. Graco engineers will be glad to advise you on your paint supply problems. No obligation for this service. Request it.

At the Chicago cabinet plant of Hammond Organ Co., beautiful Hammond consoles get three coats of high gloss lacquer from a Graco Powerflo circulating system.

These rugged Powerflo air-operated pumps work in original drums of pigmented lacquer, pumping it through 1200 feet of line to the farthest spray booth on the floor above! One pump supplies the system while another mixes the next full drum. The paint room supervisor changes drums by merely turning two valves. Lacquer not used at the spray booths is pumped back and re-circulated. Uniform pressure at all guns.

They save 6 man-hours a day with this low-cost Graco Powerflo circulating system! It replaces small pressure pots which had to be filled and handled manually.

If your company uses paints, primers, sealers, lacquers, coatings, etc., Graco's direct-from-drum pumps to supply circulating systems can mean dollar savings, greater safety and less material waste. Send for the Powerflo catalog described at left. It's full of ideas for your plant!

• Graco products are sold and serviced through authorized distributors in all principal U. S. and Canadian trading areas and in 63 foreign countries. Your nearby Graco distributor can give you helpful personalized service. Call him.

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Engineers and Manufacturers of air-powered paint circulating systems and heavy material pumps, drum pumps, lubricating and automotive service equipment

"... 'it's no worse than any other banquet or luncheon food' ..."

OFF-BEAT IDEAS starts on p. 174

my roadside stand and bought about everything I had," a Willamette Valley (surrounds Salem) grower said.

Blundell's production schedule is geared to fit the harvest seasons. Heaviest local trade is from August to September. The tourist trade arrives in May, sticks around till October. From then until January, Blundell uses the place for his own gift mail order preserve business. From January to May, he overhauls his equipment.

V. Banquets on Tap

"It's no worse than any other banquet or luncheon food," a reporter said after tasting one of Arthur Landstreet's "food bank" quickie meals (picture, page 174). Landstreet, a Memphis merchant, doesn't claim that his banked meals would delight a gourmet. He simply says that his precooked and sealed hotel meals for large parties can be served piping hot and with speed. What's more important, they save the hotel money in kitchen help, because banquets usually mean overtime.

Landstreet got the idea of sealed meals 20 years ago from watching his mother preserve lettuce by placing it in a jar, sealing the top with a lid, and putting it in the refrigerator. Hotels that use the Landstreet Food Bank can preserve salads in the same way. The difference now is that the salad is made on an individual plate and is sealed with a metal cover that clamps over the top. The main course, including meat, vegetables, and gravy, is sealed in the same manner. Hot meals are placed in a specially heated cabinet in stacks until needed.

This process allows a hotel manager to have one chef and a salad girl prepare a large banquet the day before it's to be eaten. Waiters come in with the hot meals (a slight rap removes the lid) and serve diners as they are seated.

• **Hotels Buy**—Landstreet uses his food bank—which consists of a cabinet and lids—in his own hotel (leased), King Cotton, in Memphis. He applied for a patent last year, and has an arrangement with Blessing-Hoffman Co., Chicago, to manufacture the unit. So far, the food bank is selling well in the South. The Greenbrier in White Sulphur Springs (W. Va.) ordered one last year. The Atlanta (Ga.) Biltmore, Dinkler-Tutwiler (Birmingham), Roosevelt (New Orleans), Dinkler-Plaza (Atlanta), Jung (New Orleans), and Heidel-

berg (Jackson, Miss.) all have, or will soon have, food banks.

VI. Pushing the Baby Buggy

Nobody beamed more than A. D. Welsh, president of the Welsh Co., when word began to circulate during the war that the U.S. was facing the biggest bumper crop of babies in its history. For Welsh, it was a natural, since his St. Louis (Mo.) company manufactures folding baby carriages.

For a time, it looked as though Welsh had counted his chickens before they hatched. Not that the babies didn't arrive according to schedule. The catch was, the postwar mother was bypassing the trusty baby buggy. Apparently the move to the suburbs—where she could dump junior in the back yard in a play pen—and the automobile were squeezing out the carriage.

•Challenge—To Welsh and his wife—who triples in brass as vice-president, treasurer, and designer of the company—it was a challenge. Their first step in yanking back the business was a Boodle Buggy—a combination carriage, removable bed, and stroller. This year, the Boodle Buggy will come out in a splash of pastel colors "just like the new cars," Welsh says. The new carriages are lighter and cheaper—as low as \$10.

Welsh also is making money on a contrivance to keep the baby in place in a car.

With heavy advertising and switch to colors and carseats, Welsh manages to produce about 550,000 of the carriage trade's 750,000 yearly units. In the early 1940s U.S. manufacturers put out more than 1-million carriages, strollers, and buggies yearly. This year, Welsh's advertising budget will be \$400,000. In 1941, it was \$50,000.

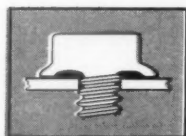


Robot Pet Feeder

This electrically powered cafeteria will feed dogs and cats automatically. A motor mixes food, dispenses dinner and calls the pet (whistle). Bernie Bergevin of Palos Verdes, Calif., formed his own company to sell the plastic device.



Tuff-Tite* Fasteners Give You Quick, Safe, Economical, Leakproof Construction



Neoprene washer trapped under head seals hole — acts as cushion.

Roofs and side walls go on quickly and are leakproof when metal or plastic sheets and panels are applied

with Tuff-Tite fasteners.

This unique fastener has a one-piece metal head and a pre-assembled neoprene washer. When Tuff-Tite is tightened, the neoprene washer is trapped and controlled by an undercut in the washer head. The neoprene is forced into the hole and around the threads to form a watertight and airtight seal. Leaks between the head of the screw and the

metal washer are impossible because they are made as one piece.

Tuff-Tite fasteners also provide tight seating without cracking or chipping porcelain enamel, plastics and other fine finishes. They are available as tapping screws, thread cutting screws, drive screws, machine screws, stove bolts, wood screws and special fasteners. They are made of carbon, alloy and stainless steel, aluminum, brass and other metals in a variety of head styles.

To learn more about how Tuff-Tite can give you leakproof, economical fastening, use the coupon below.

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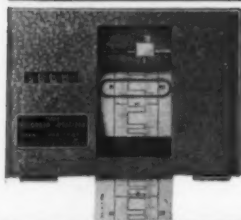
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International Amphitheatre, Chicago
May 16-20, 1955

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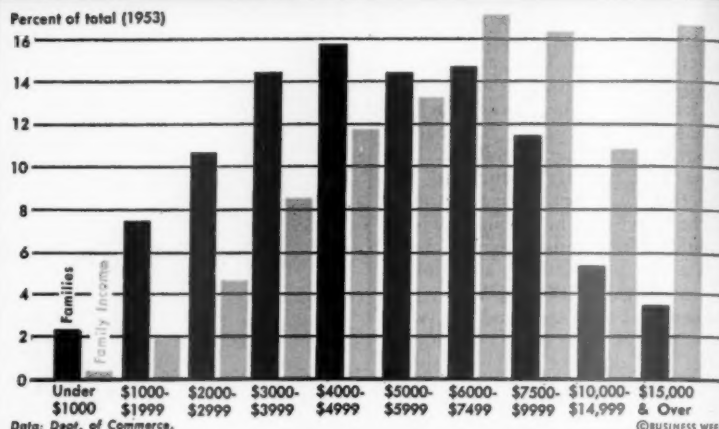
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- If you have a business service that will help America's business executives — the readers of BUSINESS WEEK — then tell them through the Business Services.

Just write Classified Division,

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CHARTS OF THE WEEK

Distribution of Families and Family Income



More People Make More Money

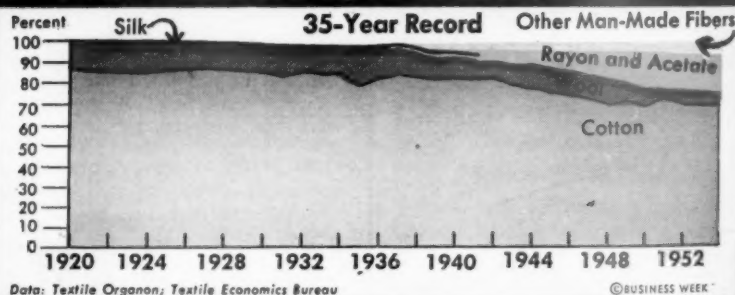
The average family never had it so good — so the figures say. According to a Commerce Dept. study of income distribution in the U. S., the average family income in 1953 rose to \$6,002. That's almost 10% above the 1951 level, and 49% ahead of 1944's wartime \$4,027.

The chart above, which shows distribution of families and family incomes in 1953, is representative also of the structure of the consumer market in 1954.

The striking thing in this distribution is the large number of families that fall in the middle-income brackets. For example, 6.5-million out of a total of 41.1-million (15.8%) families now are in the \$4,000 to \$5,000 range.

Commerce Dept. points out that the increase in the number of well-to-do families is important when it comes to evaluating consumer demand — which depends largely on changes in income.

Mill Consumption of Fibers

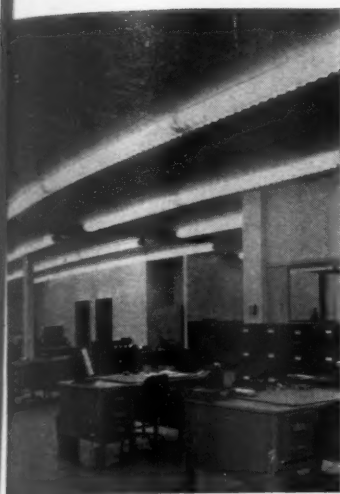


Man-Mades Gain in the Market

The most revolutionary thing in the fabric pattern over the years is the way man-made fibers are moving ahead. Thirty-five years ago, they were an insignificant part of the total. In 1953, they constituted 23% of total consumption. Last year, they took just short of

25% of the entire U. S. fiber market.

From 1953 to 1954, consumption of wool declined the most percentagewise. Cotton also lost out to man-made fibers. But today silk is the unimportant fiber in the over-all picture, whereas it had a definite place in prewar days.



The quiet atmosphere produced by this Cushiontone ceiling promotes greater efficiency among office personnel. Cushiontone soaks up the clatter of typewriters and telephones, keeps disturbing noise levels down to a minimum.



Smart beauty is added to the office of the president of the Breeze Corporations, Inc. by the noise-absorbing Travertone® ceiling. Travertone blends well with any décor, absorbs up to 75% of the noise that strikes it.



Low-cost sound conditioning is especially desirable in industrial plants where large areas of ceiling and wall must be covered. Armstrong Cushiontone costs surprisingly little to install and maintain, retains its high acoustical efficiency for years and years, giving the Breeze Corporations, Inc. . . .

A Practical Answer to Factory Noise

Braiding metal strands on flexible metallic conduit is a noisy operation—one that makes efficient sound conditioning a necessity for comfortable working conditions.

For the braiding room of their Union, N. J., plant, the Breeze Corporations, Inc. considered many forms of acoustical treatment. The most practical solution proved to be a wall-and-ceiling installation of Armstrong Cushiontone, which re-

duced factory noise levels over 50%.

In the general office areas, Cushiontone soaks up as much as 75% of the sound that strikes it.

A perforated wood fiber material, Cushiontone can be easily cleaned or repainted. And the material's low cost makes it especially suitable for this large area.

Adjacent executive offices were treated with Armstrong Travertone. Travertone's textured surface adds

beauty, while its high noise-muffling characteristics provide quiet at all times.

See your Armstrong Acoustical Contractor for full details on Cushiontone, Travertone, and the entire line of Armstrong sound-conditioning materials. For your free copy of the new 1955 edition of "Armstrong Acoustical Materials," write Armstrong Cork Company, 4204 Indian Road, Lancaster, Pa.

* Trade-Mark

Armstrong ACOUSTICAL MATERIALS

Cushiontone® • Travertone • Arrestone® • Minatone® • Corkoustic® • Perforated Asbestos Board

COMMODITIES

Thorium: Atomic Dark Horse

- The long neglected element shows signs of joining uranium as a major fuel source.
- There's a second new horizon: for alloys in jet engines.
- It's quite a future for a material long confined to lamp mantles.

After a long season as little more than a laboratory curiosity the element thorium is showing hints of becoming a prospective major source of atomic fuel. So much so that the question now popping up is: Will there soon be a thorium boom like the present uranium chase?

The latest atomic boost for thorium came when Consolidated Edison Co. of N. Y. announced that it will use both thorium and uranium in its proposed atomic power plant at Indian Point, N. Y. (BW—Feb. 12 '55, p. 100).

Recently Great Britain, India, and other countries have shown interest in converting thorium in reactors designed primarily to produce electric power. And for at least two years the Atomic Energy Commission's Oak Ridge National Laboratory has been working on designs of reactors that would use thorium. AEC is now working on a thorium breeder reactor—which should be completed by 1958—that will test the principle of breeding thorium.

• **Background**—To understand what thorium might do in atomic energy, you have to go back to the daddy of the atomic minerals—uranium. Natural uranium contains 0.7% of U-235—which is fissionable and so can provide nuclear fuel; and 99.3% U-238—which isn't and can't. However, if you put natural uranium into a converter reactor, atom-splitting in the U-235 part will set off a chain reaction that will convert the U-238 to plutonium—which is fissionable.

Thorium isn't fissionable at all. But it acts—at least in theory and as far as current tests have gone—pretty much like the U-238 component of uranium. That is, if you put it into a reactor with uranium, atom-splitting in the U-235 part of the uranium will set off a chain reaction which will convert the thorium to still another fissionable element—U-233.

This is what Con Ed hopes to do. The company says its new plant will be a converter reactor, using enriched

uranium (natural uranium beefed up with extra U-235) as its basic fuel, and converting thorium into U-233 for additional fuel.

• **Stress of War**—AEC has never come right out and said so, but there is every reason to believe that the U-233 from thorium is just as good for use in atomic bombs or power reactors as plutonium and U-235. However, in the wartime haste to get the atomic energy program into shape, the government became committed to two methods of producing fissionable materials; either separating the U-235 out of natural uranium, or converting U-238 to plutonium.

Now thorium looks good for atomic power purposes for a number of reasons:

• It is more easily handled than plutonium. Plutonium is highly poisonous, which makes it very tricky to handle. Extreme care must be observed to avoid exposure of people in all stages of processing and storing.

• It is more abundant in nature than uranium.

• Technically it may be easier to breed fuel from thorium than from U-238.

• **Lamp Mantles**—Right now, thorium is definitely a very minor metal—and, aside from the atomic energy program, not a very glamorous one. Its total use last year—again aside from atomic energy—was only 20,000 lb. Furthermore its main use belongs to a bygone age and hardly seems to fit it for its atomic energy role at all; thorium goes into the very fragile mantles that fit into gas lamps and lanterns to give an incandescent light. As recently as 1950 these gas mantles accounted for more than 90% of the thorium used. Even now they take almost 50%.

Far more exciting is the growing use of thorium as a magnesium alloy, especially in jet engines. A small amount of thorium adds strength at the super-high temperatures of jet engines; it also stabilizes the metal, and gives better resistance to the sharp changes in temperature as the engines are turned on

and off. Research and development is still going on in this field, but it looks as though jet engines—if not atomic power—will replace gas lanterns as a leading use for thorium.

• **Rare Earth**—Thorium comes from monazite, one of the rare earth ores. Most of the mining is in Idaho, with some along the South Carolina and Florida coast. Mining companies include Baumhoff-Marshall Co., Idaho; Canadian Dredging Co., and Porter Bros.—all in Idaho—Marine Minerals Inc., in South Carolina, and Humphreys Gold Corp., in Florida.

Right now between 50% and 75% of the monazite used in this country is imported. It's found most commonly in India and Brazil, both of which, being interested in thorium for their own use, have embargoed all exports of monazite; India in 1946, Brazil in 1950. So we get most of our supplies from South Africa.

While a major part of our monazite is imported, the job of extracting the thorium is all done here, by a handful of companies. The major producer of thorium compounds (chiefly nitrate and oxide) is Lindsay Chemical Co., West Chicago, Ill.; others include Maywood Chemical Works, Maywood, N. J., and Rare Earths, Inc., Paterson, N. J. Only one company, Westinghouse Electric Corp. (in its Lamp Division) produced thorium metal last year—and that in very small amounts.

Thorium products range from \$3 per lb. for mantle grades of thorium nitrate up to 70¢ a gram for metal sheet.

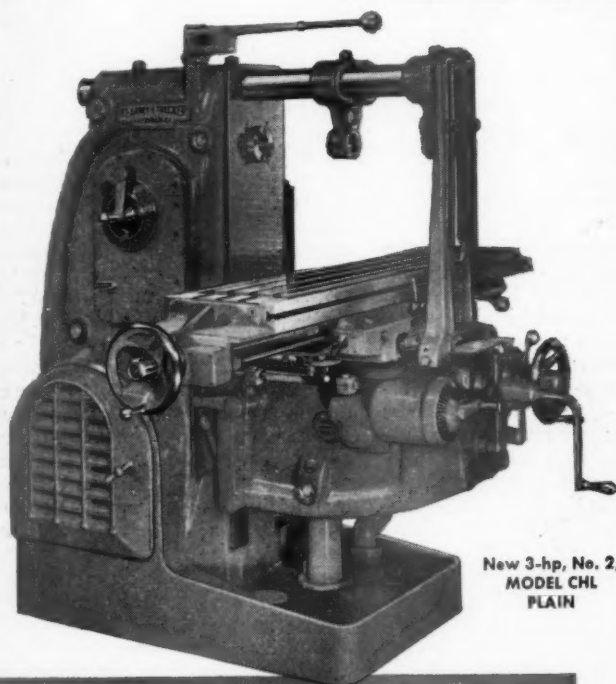
• **Deposits**—It has been no secret that thorium, if properly treated, would fission. But AEC has consistently soft-pedaled the fact—partly, no doubt, to keep from setting off a thorium boom, particularly when its actual use was still only a potentiality. There has been no incentive program for thorium exploration like the one in uranium. As a result, while thorium is undoubtedly more plentiful than uranium, actual known reserves of uranium are larger.

Troubled by the lack of known deposits, AEC financed a Bureau of Mines search for monazite over a period of years. The program is about over now, with enough monazite areas discovered to keep the U. S. self-sufficient—in a pinch—as far as current needs go. But many of these deposits are low grade, and would not be economical at present prices; it would take a pinch—or a sudden spurt in demand—to get many of them working.

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Machines less than 10 years old

605 automatic and manufacturing type milling machines

17% 34% 49%

1310 vertical milling machines

12% 34% 54%

3375 knee type horizontal milling machines

27% 33% 38%

259 bed type milling machines

23% 20% 55%

483 horizontal and vertical precision boring machines

1% 33% 64%

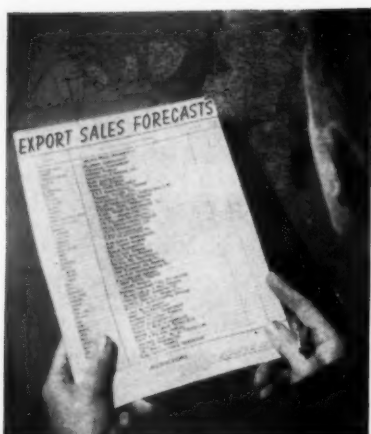
Figures adapted from 1953 American Machinist survey of metalworking industry



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Tobacco's Troubles Pile Up

Sinking market and bigger yields plague the burley growers. But they've brought some of their troubles on themselves.

The tobacco auctioneers' chant was not a happy one through this year's sales. In the auction rooms around the burley belt, the tone was gloomy. J. Con Lanier, counsel for the Tobacco Assn. of the U.S., and an oldtimer in the business, put it this way: "I've heard that tobacco was too short, too long, too green; but it all boils down to the fact that we have just too danged much of it."

Because there is "too danged much of it" and because the demand for it is shrinking, burley tobacco farmers are in trouble. About a third of last year's crop, which, by the Agriculture Dept.'s latest figures, hit the all-time high of about 665-million lb., went under price support loan.

Last week, Congress passed a bill that, among other things, provided for a 25% slash in this year's acreage allotments. Burley growers will vote on the cut around the end of this month. Since they're a realistic lot—and since they'd lose all supports if they voted "No"—the chances are very good that they'll accept the lower allotments.

• **Ups and Downs**—Two factors lie behind the burley farmers' worries: (1) the nationwide decline in cigarette smoking, and (2) the over-supply of burley that's now so large that it can take care of 3½ years' consumption.

Because of the cigarette-lung cancer scare, last year's cigarette sales were down 8% from their 1952 peak. And because tobacco has to age a long time before going into your cigarette, stocks play a very large part in the demand picture. Normally, stocks are equal to about 2½ years' consumption. So, when consumption is going up, production has to rise still faster to allow for "normal" stocks. And, when consumption is going down—as it is now—production has to contract even faster if stocks are not to become overwhelming.

Tobacco has been under acreage allotment for years. When stocks get too big, the Secretary of Agriculture is supposed to order growers to cut back.

• **Wily Farmers**—Under this program, burley's total acreage is down since 1945. But every time the government cuts acreage, growers figure out ways to increase each acre's yield, mainly by using more fertilizer. Last year's yield was a shocker: When price-proppers set allotments they figured on a yield of 1,350 lb. to the acre; they got 1,650 lb. Extra-good weather at the crucial growing point had a lot to do

with that, but even the "normal" expected yield was some 60% higher than pre-World War II.

But burley farmers as a group only defeat themselves by using more fertilizer. Not only does it bring even stiffer acreage cuts the following year, it also means poorer tobacco. Burley built its reputation as a light, thin-leafed product that came as a result of nitrogen starvation. Now farmers are pouring so much nitrogen on their fields to increase the yield that they have succeeded in actually changing their product. Over-fertilized burley, instead of ripening quickly, often stays green until it is cut. This makes for a harsh smoking tobacco, high in nicotine content.

• **Loss in Blends**—The average nicotine content of burley is currently around 4% to 4.5%. Manufacturers generally like to keep the nicotine content of cigarettes down to about 2%. And so, in recent years, they've had to cut the proportion of burley used in blends.

One authority, Dr. William D. Veleau, of the University of Kentucky, is convinced that acreage controls will not solve the burley problem. As long as the government program places primary emphasis on acreage, he feels, farmers are going to place their emphasis on quantity, not quality. He also debunks the health scare as being responsible for the drop in cigarette smoking; the main reason, he says, is that "cigarettes are just not as good as they used to be."

Be that as it may, burley growers and Agriculture Dept. experts are worrying mostly these days about quantity—and about weaknesses in the program for controlling production.

Here are some of the problems:

• **Minimum allotments.** Under the old law, the minimum allotment was seven-tenths of an acre—farmers who grew less than that were immune to acreage cuts. Seven-tenths of an acre may seem like an insignificant amount, but about two-thirds of the tobacco growers, producing about one-third of the crop, are in this category. Since an acre of tobacco is worth about \$1,000 these days, farmers find it profitable to plant even tiny patches.

• **The cheaters.** There are growers who plant not only the allotted acreage, but also set out plants in hidden spots on their farms, or evade controls by planting their rows closer together.

• **Wide variations in techniques for measuring acreage.** This gives the government men who do the measuring a

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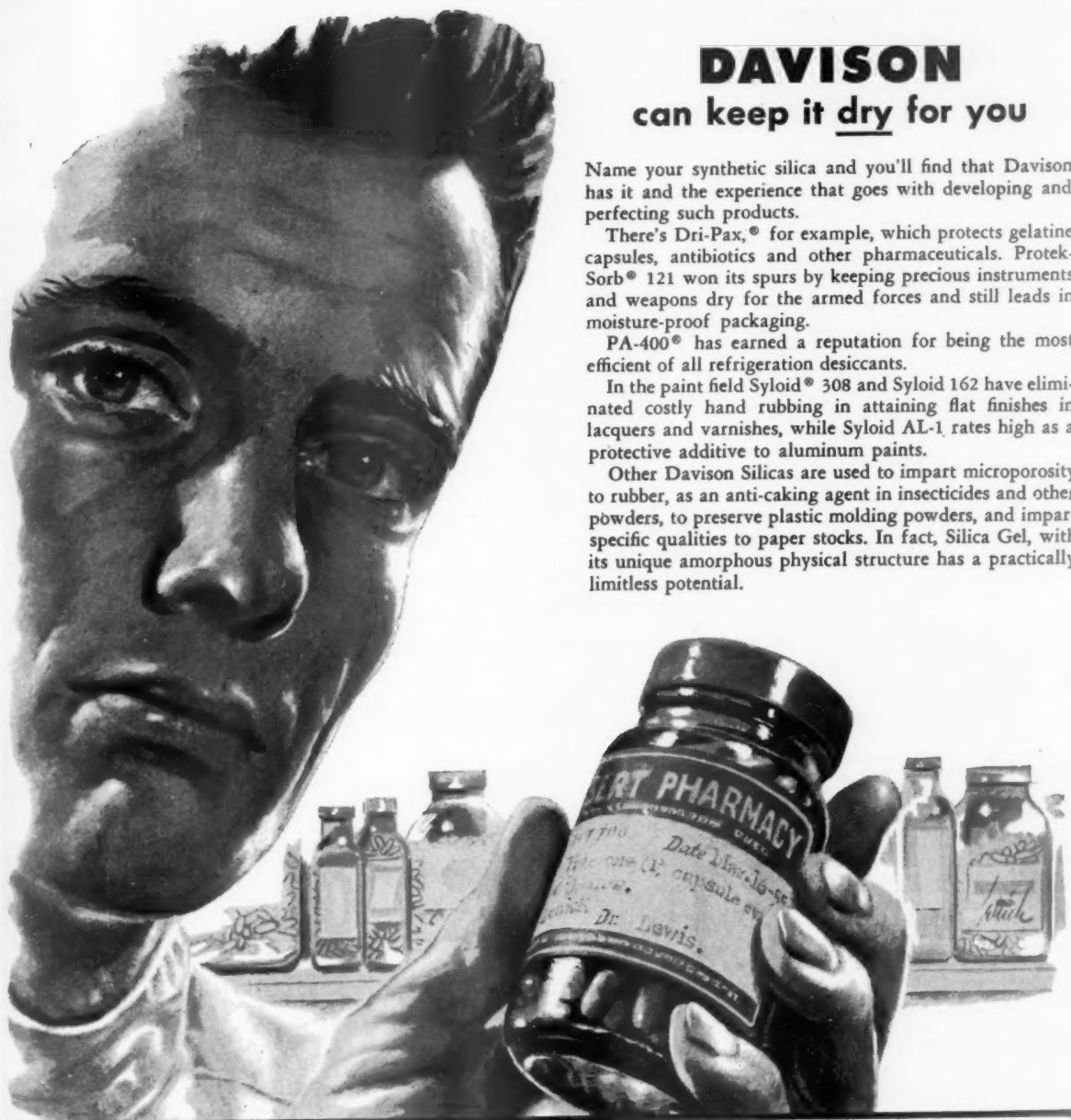
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What's New In MATERIALS HANDLING

by TOMMY TRUCKER

More and more manufacturers of heavy equipment are turning to wagon trucks and trailers for transporting raw material and finished products in their plants. With none of the limitations of cranes or other fixed equipment, wagon trucks are being used to haul tremendously heavy loads on long or short moves anywhere in the manufacturing and storage areas.

Munitions makers, earth moving equipment manufacturers, foundries and dozens of other heavy industries are using THOMAS Heavy-Duty Wagon Trucks for hauling loads weighing up to 70 tons. Since these THOMAS "Job-Suited" Trucks can be ordered in capacities ranging from 10 to 70 tons, with deck sizes and the placing of stake pockets to meet specific requirements, they can be loaded and unloaded faster and easier, and will hold their loads safely and securely.



With heavy steel plate decks built on rugged structural steel frames, THOMAS Heavy-Duty Trucks have three or more lengthwise members—depending on the weight and type of loads to be carried. Welded into a rigid, one-piece unit these trucks will stand up under the stress and strain of many years of hard service. Available with rubber-tired or steel wheels. All wheels equipped with roller bearings.

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good deal of leeway—and, almost always, they seem to err on the generous side.

Besides the deep cut in allotments, the new law tries to keep a tighter rein on production in two main ways:

- It lowers the minimum allotment from seven-tenths to five-tenths of an acre. This was by far the most controversial part of the law, and went through only after much wrangling and bitter debate.

- It increases the penalty for marketing tobacco grown on acreage over the allotment from 50% to 75% of the previous year's average market price.

- **Proposals**—Tobacco men think the Agriculture Dept. can also get better control by tightening its administration. Recommendations are that Agriculture:

- Require annual aerial surveys to disclose hidden tobacco patches not included in allowable acreage. (This is already done on a limited scale.)

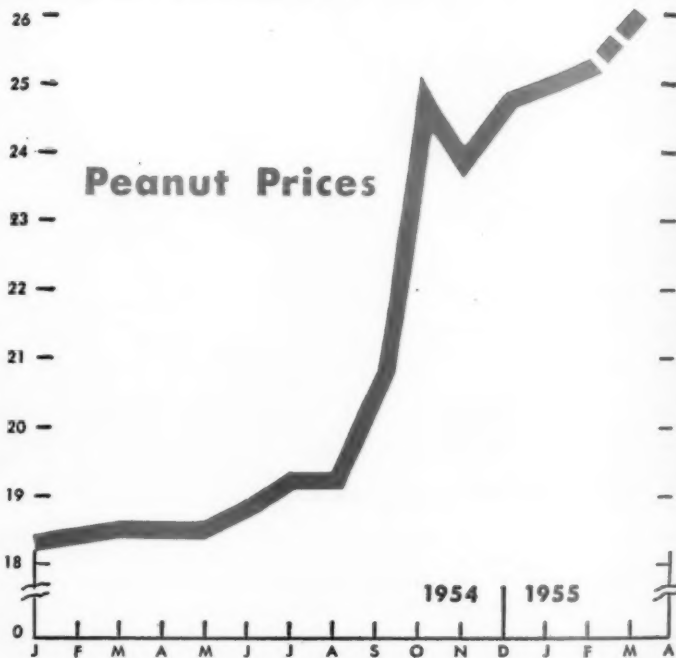
- Make the men who measure acreage work in two-man teams—and in counties in which neither lives.

But, more and more, responsible

burley men are centering their thinking on quality instead of acreage control. They think better tobacco will bring prices high enough to offset losses from lower production, especially since growers are now eagerly seeking quality tobacco to mix with the lower grade stuff that's on hand. And they feel that the best hope for narrowing the gap between production and consumption lies in winning most of the growers over to this point of view.

Burley is in a worse fix than other types of tobacco for several reasons. For one thing, last year's yield on the other types was about as expected, instead of being more than 20% higher as in burley's case. For another, burley is much more dependent than other types on U.S. cigarette consumption. Very little burley is exported, and about 85% of its domestic use is in cigarettes. Finally, government price-proppers have been able to keep a much tighter rein on production of other tobaccos. Burley is the only variety that has minimum allotments under the law.

Spanish Peanuts, Wholesale, Cents per lb.



Data: Dept. of Labor

©BUSINESS WEEK

Growers Gag at Imports

Peanut prices have shot up so fast and so far (chart) that they've left users gasping. Last year, a bad drought in the Southeast cut the crop of Spanish and Runner goobers—the manufacturing kinds used in candy and peanut

butter—to about half of normal. As a result, prices for these varieties are now 40% to 50% higher than they were a year ago.

The crop of Virginia peanuts—the kind you eat straight or salted—was only

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slightly off, but the acute shortage of other kinds put pressure on Virginias, and prices are up about 20%.

Normally, there is a tight import quota on peanuts—850 tons a year (compared with the annual consumption of well over 300,000 tons—and a 7¢ a lb. tariff besides. Last month, the shortage forced Pres. Eisenhower to lift the quota to allow 25,500 tons to come in through the end of June, at an additional 2¢ per lb. duty.

• **Too Little**—Since the Agriculture Dept.'s most conservative estimate of the shortage put it at around 40,000 tons—allowing for decreased consumption due to higher prices—the new quota made scarcely a dent in prices.

Peanut users wanted a hike in the quota to more than 200,000 tons. Domestic growers were opposed. They felt they had already taken a beating from the short crop, and didn't want a flood of foreign nuts cracking the market at that point. Shellers, who had already bought up large inventories at the old prices, backed the growers.

At midweek users were expecting that the President would order another quota boost. While the new crop will be fairly good, it won't start coming through until August, and then only in small amounts. Also, manufacturing pipelines will have to be refilled at that time. So, users argue, unless help is forthcoming from Washington, the shortage will last through September or October.

Biggest Price Cut Puts Titanium at \$3.95 a Lb.

Last week Titanium Metals Corp. of America announced a 55¢ per lb. cut in the price of titanium sponge—the biggest cut since the metal went into commercial production in 1948. A few days later du Pont, the other big producer, announced it would follow suit. This brings the price down to \$3.95 per lb.

Titanium sponge is an intermediate stage of the primary metal: The ore is processed into sponge, then the sponge is melted down into ingots to be fabricated into mill shapes.

TMCA sells very little sponge on the open market; it uses most of its own production and sells mainly fabricated and semi-fabricated products. The company also cut prices for these mill products by \$1 to \$3 per lb.

Because of its special and beguiling properties—a combination of strength, light weight, and corrosion resistance—titanium has an excellent potential market. Two things have held it back so far: high cost and limited supply. Engineers, feeling that they couldn't depend on an adequate and continuous

supply, have been reluctant to use titanium in their designs.

The search for lower-cost processes for producing titanium sponge has been going on for years. Meanwhile, the situation is helped by price cuts like the current one, which TMCA attributes to "growing efficiency and sustained capacity operation." Substantial new capacity—as well as small pilot-plant research projects on new process—is already on the books, will increase available supplies this year and next.

COMMODITIES BRIEFS

Crude oil production has been breaking all records over the past few weeks. Gasoline stocks are also at an alltime high, 5.5-million bbl. more than at this time last year—when high stocks kept prices wobbly all through the summer driving season.

Copper users will get more help from the government. Office of Defense Mobilization announced last week that during the second quarter it will divert into the open market 17,500 tons of copper scheduled for the stockpile.

Coffee prices have stopped falling, at least for the time being. Reports that Brazil and Colombia have agreed on measures to stabilize prices have helped the market.

Zinc prices went up ¼¢ a lb. this week—to 12¢ for the basic Prime Western grade. Demand is very good, particularly for the diecasting grades; the combination of government stockpiling and good consumer buying has brought zinc stocks to their lowest level since mid-1953.

Animal feed supplies will probably be at a new record this year. The carryover is very large, and farmers plan to put 6% more acreage into feed grains this year than last. Price supports on corn, oats, barley, and sorghums will all be under 1954 levels.

Du Pont lowered prices of high tenacity rayon yarns—used for tire cord—by 3¢ a lb. last week. The company had raised the price by the same amount early in March, but had to cut back when other big rayon producers didn't follow along.

Agriculture Secy. Ezra Benson has hiked the wheat set-aside to 500-million bu.—the legal maximum. Since this wheat doesn't enter into price support calculations, the action may keep the wheat support from dropping again in 1956—an election year.

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GAW: The New Issue in Our Economy

The proposal of a guaranteed annual wage is the biggest issue in labor management relations since the union movement itself came of age. Its importance can be gauged not only by the amount of heated debate but the wide area of disagreement that it has engendered. The extravagant claims of the unions and the counter claims of management have only clouded the issue and stamped it with emotional bias.

In a special report on the GAW (page 80), Business Week has examined all sides of the issue. The report will not end the debate. On the contrary, it is intended only as a device that puts GAW into focus and presents the facts in the case. Thus it provides a clearer idea of what is involved for business and businessmen.

At the moment the GAW proposal involves only the United Auto Workers and the giants of the auto industry, General Motors and Ford. But as the auto industry is to be the pace maker and the pattern setter, it is clear that what happens in the Detroit negotiations will inevitably affect industry as a whole. And what affects industry immediately concerns our entire economy.

The Ideal Is Good

We believe that most people will support the idea that it would be nice if all workers could be assured steady jobs at all times. If we could accomplish this, we would be a long, long way towards the goal of permanent prosperity. It would also mean a great social advance. For an economy where men can be assured of stable employment is much more healthy than an economy where a man can't be sure that today's job will still be his tomorrow.

But there is a real question whether the UAW's present proposals really carry us closer to these social and economic goals. Its plan, by itself, does not provide for steady work; rather, it would pay a worker for not working. The UAW is depending on management to do two things: (1) assume the cost of GAW; and, then (2) offset this new cost by introducing more efficient and stable manufacturing operations, which will in turn bring about stable employment.

It's quite probable that GAW would, in fact, enforce production stabilization. But it is not the sort of stability that either management or labor would like.

For instance, if Detroit agreed to a GAW plan and considered that its expense would have to be met by stabilized production, many economists believe that it would mean a very low level of production. True, this might mean a potential loss of business. But it would also mean a safe, if small, return to stockholders while the work force received full pay every week in the year.

This, of course, was not the way the auto industry became the most dynamic sector of our entire industrial fabric. It is not the way, surely, that Detroit has acted in the past year. Instead of playing it safe and conserva-

tively, the automobile companies went full steam ahead with new models and increased production. This hot competitive race has been the mainspring behind the recovery in other sectors and in the economy as a whole.

If Detroit did not have this dynamic attitude, instead, it decided to go slow in order to digest GAW, it would have an immediate impact on the rest of the economy. Less steel would be needed, and all industries—plateglass, tires, textiles—connected with Detroit would immediately feel the pinch.

The capital goods industry would also suffer. If business ever took on the placid attitude that it preferred an assured market rather than an ever growing market, there would be a slowdown in buying new plant and equipment. There might be no real effort to adapt for technological change. Machinery and tool makers would be forced to a slower pace, for if autos could be sold without, say, power brakes or newfangled steering wheels, why go to the expense of making such changes?

Thus, if a conservative, stand-pat attitude ever took hold in Detroit, it would not only mean that the dynamism was gone from our most dynamic industry. Through its position as the nation's biggest and most compelling customer, its leaden impact might destroy the dynamic nature of our entire economy.

Can We Stand Its Changes?

GAW is relatively untested. It is a great unknown. It may bring good; but it also may be a Pandora's box of insurmountable burdens. The only thing that is known for sure is that its initiation will fix a new and unexplored obligation upon employers.

Changes would not come all at once. It is more probable that any agreement in Detroit will call for a modified version of the GAW. If, for instance, management and labor agree to assuring that all 10-year-men receive a guaranteed wage, it will hardly seem like any change at all.

But such an agreement in principle can be the thin edge of the wedge. Next year, the UAW may demand a guarantee for all 5-year men, or all 2-year men, or for any worker who has been employed for 30 days. Once the principle of getting pay for no work is agreed on, the unions must ask for more and more and more. The end may be that the unions themselves will encroach so far on management's right to manage that today's captains of industry may be the buck privates of tomorrow.

We believe that both labor and management should look for ways and means to assure workers of steady jobs with growing incomes. But no plan that curbs the dynamism of American industry should be considered. This spirit is the essence of our success as a nation. It is this spirit that must be preserved and fostered in planning a guaranteed annual wage, or any reasonable facsimile thereof.



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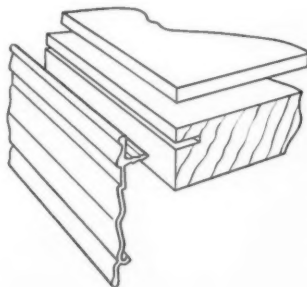
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